

## Energy

## Federal Treasurer questions smelter 'subsidies'

by Robin Bromby

WHILE New Zealanders argue over the second aluminium smelter, few such inhibitions or doubts affect Australian state governments as they vie with each other for smelters — and make agreements to supply power at the expense of the domestic power consumer.

Queensland has so many projects at various stages of development that the state may have to quintuple its electricity generation within 24 years.

Western Australia, New South Wales and Victoria are all pushing ahead with plans to supply electricity to smelters. They see such developments as one of the few ways in which they can create jobs.

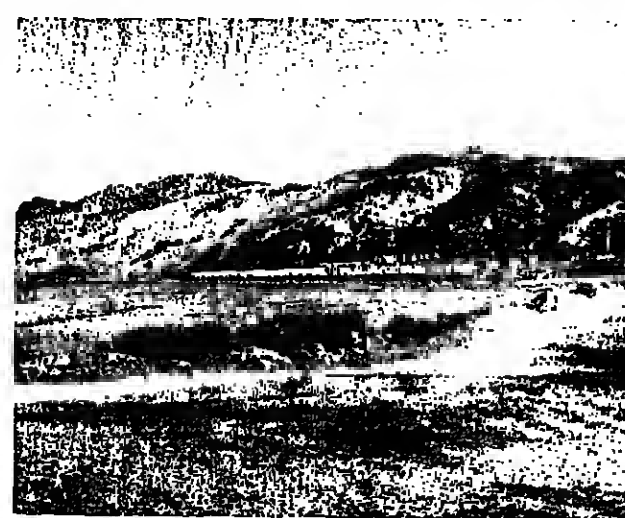
All the state governments deny they are subsidising the power, but the figures suggest otherwise. New South Wales households pay an average of 3.26c a unit, the smelters will

pay 1.2c; Victorian homes pay 3.5c, while the new Alcoa plant at Portland will pay 1.67c; and in Western Australia the gap is more dramatic — 5.42 to 2c.

The argument provided by the governments — one familiar to New Zealanders — is that the power can be provided cheaply because smelters take a constant load. There are no peaks or interruptions to supply which cause the higher domestic tariffs.

Yet John Stone, Secretary of the Treasurer in Canberra, strongly disagrees with this argument. He told a Senate committee that Australian consumers, in effect were subsidising low-cost smelter power.

He argued that there should be no incompatibility between pricing coal for electric power generation at the export parity price and the development of energy intensive industries.



Aramoana site... Australians would have little hesitation

"To the extent that we are using coal here to produce and, if you like, attract energy-using industries... we are doing so by selling the electricity at a subsidised price, so to speak, and what we are really doing is

diminishing the real income gain that Australians could otherwise obtain from that source," Stone said.

The significance of this statement is that it came from

John Stone, a die-hard fiscal conservative and anti-socialist.

Last year the Chase Econometrics Group released a report which showed just how cheap power is in Australia to the smelters. Together with the local availability of both bauxite and alumina, Australia offers electricity rates about 30 per cent lower than the United States.

The report said this meant that aluminium could be produced at \$88 a tonne cheaper than in the United States.

One aspect of the issue which does not seem to have been considered by the state governments is whether the multi-national companies (like Alcoa, Comalco, Alcan) would have come to Australia to build refineries and smelters if the prices of electricity had been higher.

The alternative sites where

large quantities of energy are available — Indonesia, Malaysia and the Middle East — do not have the political stability of Australia or New Zealand. Therefore it remains to be shown that such low rates can be offered.

Japan, for instance, is witnessing a painful contraction of its aluminium smelting sector simply because the cost of power there is 2½ times that of Australia.

Japan's Ministry of International Trade and Industry has placed a ceiling on aluminium production and imports of the metal are expected to double this year, increase further through 1985.

Last July, Alcan Avon signed an agreement with Nippon Light Metal of Tokyo to supply 22,000 tonnes of aluminium ingots a year over 16 years beginning in 1981.

NEW ZEALAND'S NATIONAL WEEKLY OF BUSINESS, POLITICS AND ECONOMICS

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## Synthetic agreement falls apart at seams

by Warren Berryman

AN advertisement in the *New Zealand Herald* last December brought the full weight of the carpet industry and Wool Board against a Manurewa rug manufacturer, who they accused of flouting the gentleman's agreement not to make synthetic carpet.

The Department of Trade and Industry was also accused of flouting the Government's wool-rich carpet policy. It now admits "errors" in import licensing but no departure from policy.

The heated affair involves Felix, UEB Industries, Agriculture Minister Duncan MacIntyre, the Industries Development Commission, the Carpet Manufacturer's Association, the Wool Board, and Trade and Industry.

The advertisement offered "for the first time in New Zealand 100 per cent Dupont nylon carpet" to attract buyers for nylon rugs and 6ft wide rug carpet at \$29.95 a metre.

Consumers here have been denied access to cheap synthetic carpets in line with the Government's wool-rich policy and the "gentleman's agreement" between major carpet manufacturers not to make carpet with less than 80 per cent wool content.

But since last year synthetic yarns may be freely imported and the gentleman's agreement has had no backing in law.

The nylon carpet was advertised by New Zealand Woolen Rugs Ltd, a small Manurewa firm previously

specialising in woolen rugs and piece goods.

The company is not a member of the Carpet Manufacturer's Association and is not formally bound by the gentleman's agreement.

Trade and Industry granted Woolen Rugs an import licence last June to import a \$60,000 carpet tufting machine from the United States. Trade and Industry was told the company wanted the machine to make nylon carpet for use in wet areas that are unsuitable for wool carpet.

Woolen Rugs is financed in part by the Government-owned Development Finance Corporation. Woolen Rugs invested heavily in new equipment and is now almost ready to go in to full-scale production of nylon carpet made with Dupont's Antron 3 carpet yarn.

This yarn is high-quality and high-priced nylon and Woolen Rugs' new carpet will be only marginally cheaper than wool carpet.

But because synthetics run through the carpet tufters at a faster rate than wool, and because a host of cheap synthetic yarns can be freely imported, synthetic carpet could be sold for half the price of a woolen one.

The carpet majors fear Woolen Rugs' nylon carpets may be the foot in the door to further synthetic carpet production.

Woolen Rugs' carpets may be sold for use in wet areas only. But the seller has no control of



Duncan MacIntyre... asked to stop synthetic manufacture the product once it is sold, they point out.

Carpet manufacturing executives point out that if one company breaks ranks and flouts the gentleman's agreement, the rest must follow.

If this happens, they estimate that 60 per cent of the domestic

market will swing away from wool to cheaper synthetic carpets, and thousands will lose their jobs in the wool spinning industry.

Arguments in favour of retaining the gentleman's agreement at the expense of reduced consumer choice and higher consumer prices are:

- Carpets made from indigenous wool have an 85 per cent local content. Synthetic carpets have an 85 per cent imported content.

- Carpet exports earn about \$80 million a year. This country has a competitive edge in wool carpets, but it can neither achieve the economics of scale nor buy synthetic yarn as cheaply as foreign competitors to compete in the world's synthetic carpet markets.

- Government has largely adopted those arguments in its wool-rich policy. The Industries Development Commission supported them with a recommended 60 per cent sales tax on synthetic carpet (which has not been adopted).

- Trade and Industry is in a cleft stick. Woolen Rugs made its investment based on Trade and Industry's decision to grant

a licence. And the DFC has loaned \$34,000 to Woolen Rugs.

- If Trade and Industry pulls the rug from under Woolen Rugs, it might be seen to be favouring big companies against a small company; to be breaking faith with the company; to be acting contrary to consumers interests, and to be jeopardising the DFC's investment.

- Carpet manufacturers individually and through their association have asked the Government to stop Woolen Rugs.

- The Wool Board has asked Agriculture Minister Duncan MacIntyre, to stop local manufacture of synthetic carpets.

- Industry leaders have put three suggestions to Government:

- Place a 60 per cent sales tax on synthetic carpet to price it out of the domestic market;
- Force any importer of synthetic yarn to sign a declaration stating it will not be used for carpet making;
- Give force of law to the gentleman's agreement

Continued on Page 5.

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## Commodities

## Jute producers conferring

REPRESENTATIVES of nations that produce and consume jute are negotiating an international agreement to improve the world market for jute and products.

Jute, a fibrous plant used mainly for making rope, wrapping paper and, made with wool and silk, in fabrics the principal export of Bangladesh and a major export of India and Thailand.

Unlike traditional commodity agreements, the proposed agreement on jute is not expected to include price stabilisation measures. Instead, it will concentrate on research, product development, marketing of jute and jute products, as well as so-called "market transparency measures," such as the sharing of statistical and market information among member countries of the agreement.

At the opening session of the conference, Jan Frank, deputy secretary-general of the United Nations Conference on Trade and Development (UNCTAD), said the production of raw jute and jute products was the principal source of livelihood for people engaged in some of the poorest developing countries.

He noted that the jute market for jute was shrinking from the developed market economy countries to the newly planned economies and developing countries. Jute is one of the 18 commodities covered by the integrated programme for commodities, launched by UNCTAD at Nairobi in 1976.



## Shells raise concern

by Warren Berryman

PAUA shell jewellery manufacturers are hastening to strike a deal with their suppliers, the paua divers, to buy shell before Cabinet reviews the export ban on raw shell.

Despite intensive lobbying from the Jewellers' Association, the Trade and Industry Department has recommended that the 1946 prohibition on exports of unprocessed paua shell be abolished.

The department found that:
 

- At least as much shell was dumped as was sold to jewellery manufacturers;
- The export ban left the divers open to exploitation by jewellers and trinket manufacturers.

Export earnings from the shell now being dumped could be more than \$1 million a year.

Lifting the export ban would allow divers to fetch up to \$5000 a tonne for shell from such markets as Korea, Japan, Taiwan, and Singapore.

The export ban has given local jewellery manufacturers a buyers' market.

Divers must sell their shell at less than one-tenth the world price and feel they have been shoddily treated.

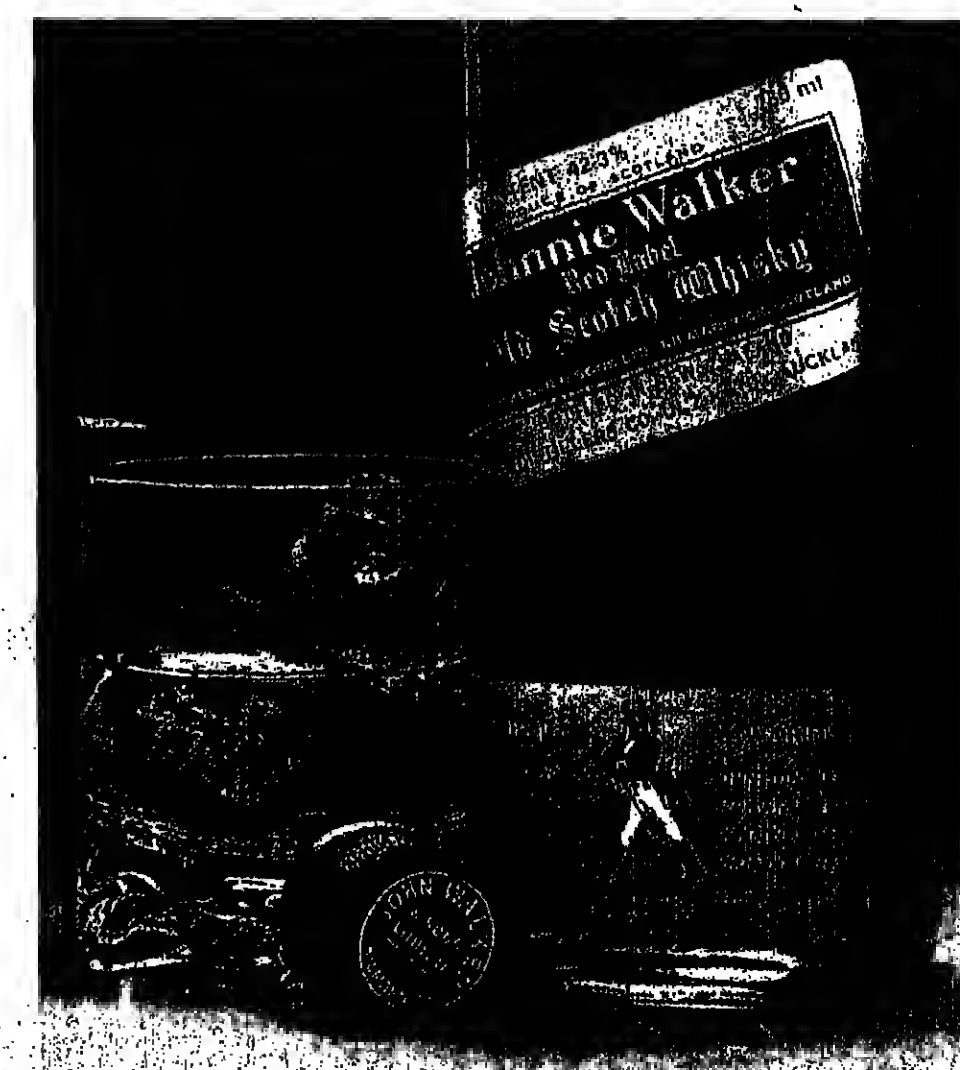
Their rugged individualism has been their greatest liability, and they have not acted as a cohesive pressure group.

But now — with help from Trade and Industry and the Fishing Industry Board — the divers have formed something akin to a paua shell "Opec".

A Trade and Industry source noted: "The time is now past when the manufacturer can kick the divers' bag of shells with a take-it-or-leave-it offer of a couple of bucks."

The 1946 prohibition on exports of raw shell initially protected a small cottage industry run by disabled returned servicemen making jewellery and trinkets.

But paua shell jewellery manufacture is no longer a



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Continued on Pages 26 and 27



## The week

## MacIntyre makes it

**DUNCAN** MacIntyre emerged victorious from the triumvirate of contenders to become Deputy Prime Minister. Details of the ballot were kept secret.

PRIME Minister Rob Muldoon warned that Australian banks operating here may be restrained unless this country's banks gain equal access under the CBR programme.

THE Christchurch City Council remained firm in its stand against the increased bulk electricity tariff in the face of threats from Energy Minister Bill Birch to "rationalise" supply in the area.

WELLINGTON'S butchers joined their Dunedin comrades in vetoing Saturday work and meat sales.

THE National Council of Churches is reviewing its involvement in Waitangi Day

celebrations, which it called "an aspect of our history of which many of us are increasingly ashamed."

DAIRY and Meat Board fears about market prospects continued as the British seamen's strike remained deadlocked.

UNDERARM bowling was banned in Australia following Greg Chappell's controversial last-ball instruction to deny New Zealand the chance of a tie in a World Series cricket match.

## Business week

**City Realities Ltd:** unaudited net profit for the six months ended December 31 was \$95,020 (last year \$63,060). The interim dividend rate has been increased to 10 per cent a year and 1 cent per share is payable on March 3.

**Computer Consultants Ltd** announced an interim dividend of 3.25 cents for the three

months ended December 31, payable on February 27.

**J D Booth** has been appointed a director of the National Bank of Australasia. He will assume the post of managing director when the articles of association have been amended.

**Fisher and Paykel Finance Ltd** has acquired a 50 per cent holding in Tisco (NZ) Ltd from Atlas Majestic Industries and parent company Fisher and Paykel Industries Ltd.

**Hallenstein Bros Ltd:** unaudited net profit for the six months to December 31 was \$1,530,000. An interim dividend of 8 per cent will be paid on February 20.

**North Broken Hill Holdings Ltd:** unaudited net profit for the six months to December 31 was \$20,603,000 (last year \$37,406,000). An interim dividend of 8 cents will be paid on May 22.

**Reeco NZ Ltd:** tax-paid profit

for the six months ended December 31 was \$520,359 (last year \$592,282).

**Erie Charles Tait** has been appointed deputy chief general manager and a director of the Bank of New South Wales.

The **Union Steam Ship Company** will pay a dividend of 2.75 per cent on cumulative preference shares on February 28.

**D Mc L Wallace Ltd:** unaudited net profit for the six months ended October 31 was \$210,439 (last year \$303,950). An interim dividend of 3 cents will be paid on February 27. The relatively low figure was attributed to the delay in approval for imported CNG cylinders.

**Wilson and Horton Ltd** is making a one for six cash issue of ordinary shares at a premium of \$1.50, yielding \$2.7 million.

## Correction

A CORRECTION to the report on L D Nathan: Following the change of balance date to August 31, redeemable cumulative specified preference shares redemption date now becomes September 1 1990 and dividends are payable on March 1, and September 1 each year, the first payment on March 1 1981 being at the rate

excess of imports over exports of \$17.2 million (\$57.4 million in 1979).

## The week ahead

**TUESDAY:** Fur Producers Association, first annual conference in Nelson.

**WEDNESDAY:** Association of Economists, summer conference in Wellington. Institute of Engineers Conference, Auckland. End February 13. Veterinary Association, annual conference, Queenstown. Ends February 14. International Soil Society conference, Massey University. Ends February 18.

## Economic indicators

**BUILDING** permits for 1270 new dwellings were issued for December 1980, 18.4 per cent up on the 1979 figure.

**CHINA** took the lead as the biggest buyer of our wool at the end of December with sales of 12,500 tonnes worth \$37.5 million. Britain, in second place, bought 11,262 tonnes worth \$33.8 million.

**RECIPIENTS** of the unemployment benefit numbered 32,493 at January 23, including 12,253 under 20 years.

**TOTAL** assets of Permanent Building societies increased from \$344.7 million to \$394.4 million in the quarter ending December 31. Growth was due mainly to growth in assets of the top 13 societies — to \$358.6 million, a rise of 15.5 per cent for the quarter and 27 per cent over the equivalent quarter in 1979.

**THE** number of visitors coming here increased by 6.9 per cent in the September 1980 year. Increases in business and family visits were largely offset by a drop in holiday traffic, particularly from Australia. Reserve Bank travel receipts were up 39.8 per cent on September 1979.

**PROVISIONAL** trade figures for December 1980 show an

As at February 4 SNZ sells	
Britain	408
United States	501
Canada	1132
Australia	388
Fiji	702
Austria	141
Belgium	320
China	1502
Denmark	6128
France	4569
Greece	461
Hong Kong	4972
India	7503
Ireland	533
Italy	9470
Japan	1903
Malaysia	2085
Netherlands	2156
New Caledonia	8131
& Tahiti	50885
Norway	9080
Pakistan	528
Portugal	1947
Singapore	719
Spain	4301
Sweden	1803
Switzerland	1983
West Germany	883
Western Samoa	

## Exchange rates

## The week

## Fletcher Challenge maintains link with PM's Dept

by Allan Parker

**CHANGES** in advisory appointments to the Prime Minister's Department announced last week bring to an end the 18-month term of Fletcher Challenge executive Graeme Hawkins.

Hawkins' spell as industrial development and business advisor to the small but influential department, with direct access to Prime Minister Rob Muldoon, coincided with the Fletcher group's completing negotiations with the Government for the second aluminium smelter.

But department head Gerald Hensley impressed on NBR last week that there had been no conflict of interest and that Hawkins had not been involved on smelter work during his term with the Government.

Hensley said it would be "improper" and "imprudent" for the department to assign to a particular project an official who had previously worked for a company which was lobbying government for support for that project.

For that reason, he said, Hawkins was not associated with the smelter input provided by the department to the Prime

Minister. David Young, a former Wool Board official, had handled the second smelter negotiations, he said.

Hawkins, who was secretary of Fletcher Industries before joining the PM's Department towards the end of 1979, will become general manager (planning and finance) of the new Fletcher-Challenge manufacturing and merchandising division.

But one of two new appointments to the advisory group, announced last week, will ensure that the Prime Minister's Department does not lose its links with what has become the nation's largest industrial enterprise.

As Hawkins returns to the company, the agricultural portfolio in the department will be taken up by another Fletcher-Challenge employee.

He is Denis Crengle, who has been a field officer for Wrightson NMA in Dunedin. Wrightson NMA was part of the Challenge Corporation group before Challenge's merger with Fletchers and Tasman late last year.

Crengle is the first private-sector appointment to the agricultural portfolio within the department. Previous ap-

pointments have come from Agriculture and Fisheries personnel.

Hawkins was with the advisory group — popularly known as the "think tank" — at a time when the Government and the Fletcher-CSR-Alusuisse consortium were negotiating to build the country's second smelter which resulted in the signing of a heads of agreement to proceed with the plant in the middle of last year.

On the eve of Christmas, the group announced that it had chosen Aramona, at the head of Dunedin's Port Chalmers, as the site.

According to NBR sources, during early consideration of the second smelter proposal, the Prime Minister's Department advocated its construction. A majority opinion in Treasury, on the other hand, was opposed.

Prime Minister Rob Mul-

doon is said to have persuaded a divided Cabinet Economic Committee about the merits of the proposal.

Since then, PM's Department head Bernie Galvin has moved to become Secretary of the Treasury.

His successor, career diplomat Hensley, told NBR last week that the usual appointment term for secondment to the department was two years.

"But we could only secure him (Hawkins) for 18 months. Sometimes they can only spare their people for a shorter time."

Hawkins' replacement in the department is 39-year-old Auckland George Green, the planning and development manager of Feltex New Zealand Limited.

Hensley said the system of drawing top people from private industry into the advisory group "works well".

"It's here to stay," he said.

"The particular advantage of the Prime Minister's Department is that it is one of the few ways that people (from the private sector) can move in and out. We can bring people in more easily."

The last three appointments from industry have been from Auckland-based Winstones, Fletchers and Feltex.

The reasoning behind this, said Hensley, was that the department and government generally had ready access to Wellington businessmen's point of view.

Secondments from Auckland companies, based in "the business and commercial capital of New Zealand", allow contact between the two centres.

"It tends to be easier to get them (secondments) from the bigger companies. And by definition they are more likely to become involved in nego-

tiations involving government," he said.

Thus, it would be impossible to remove the conflict-of-interest problem in advance. But if a conflict of interest did arise during an appointee's term, another staff member would take over the project, Hensley said. And all appointees must sign the standard public service assurance regarding commercial interests.

Hensley said he believed the "acid test" lay in the reception the PM's advisors got from the lobby groups and individuals they contacted.

"People wouldn't talk to us if they felt our people were not discreet," he said.

Many volunteered information to the advisors, who travelled around the country regularly, Hensley said.

"In practice, there is not the problem that in theory there could be."

## Political climate favours power board merger

Energy Reporter

THE tempo of what Energy Minister Bill Birch calls a "rationalisation of Christchurch area electricity distribution" may have reached the point where even an early payment of the 9 per cent increase to bulk tariffs may not be enough for the central South Island supply authorities to see in the next year.

Legislation similar to the Auckland Power Board Act combining the Heathcote, Christchurch, Lyttelton, Riccarton, central Canterbury, and north Canterbury supply authorities, could be introduced this session.

Energy planners argue that the political climate has seldom favoured more the merger of South Island power boards with the Canterbury authorities.

They point to the savings which all affected consumers would enjoy in a newly-formed energy distribution authority

second only to Auckland. "Heathcote and Riccarton," said one planner, "are the filler steak, with their highly developed domestic markets. They would be bought together with the concentrated industrial loads of central and north Canterbury."

The amalgamation would scoop up the planners' nightmare of Lyttelton and Heathcote and solve the political problems from the Labour-dominated Christchurch Council.

A "bulk heat policy" is seen to be central to any formation of a new authority, slotting neatly into the Local Government Act.

Such a policy at least would have to address the questions of differential tariffs and the application of alternative energy sources, even those regarded as unconventional such as pulverised coal — second generation coal to gas plants — and fuel oil and pulverised coal blends.

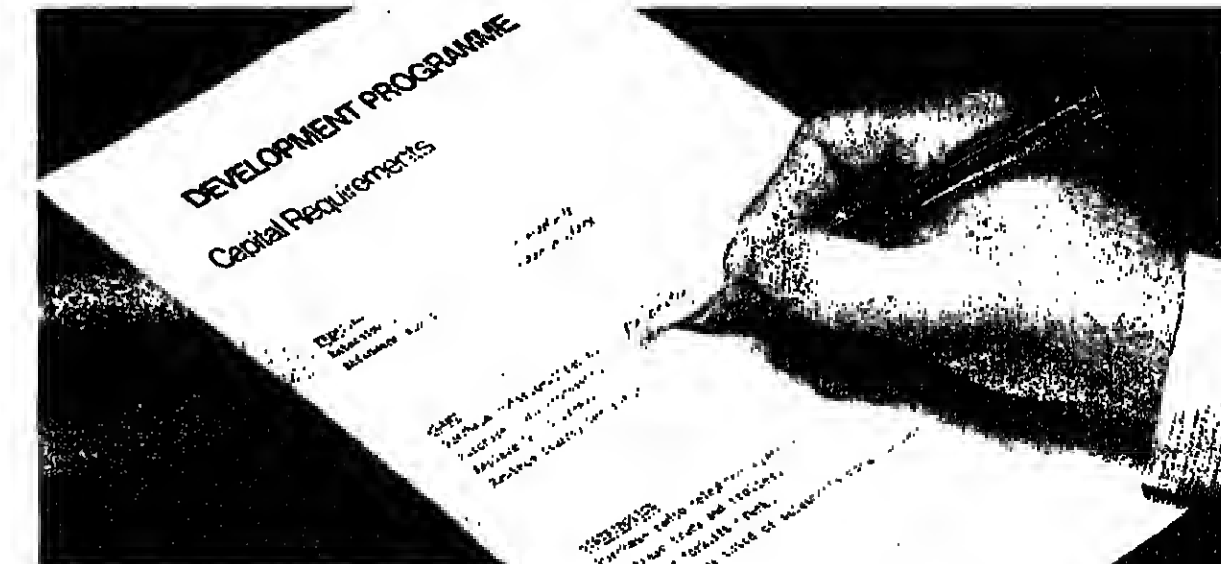
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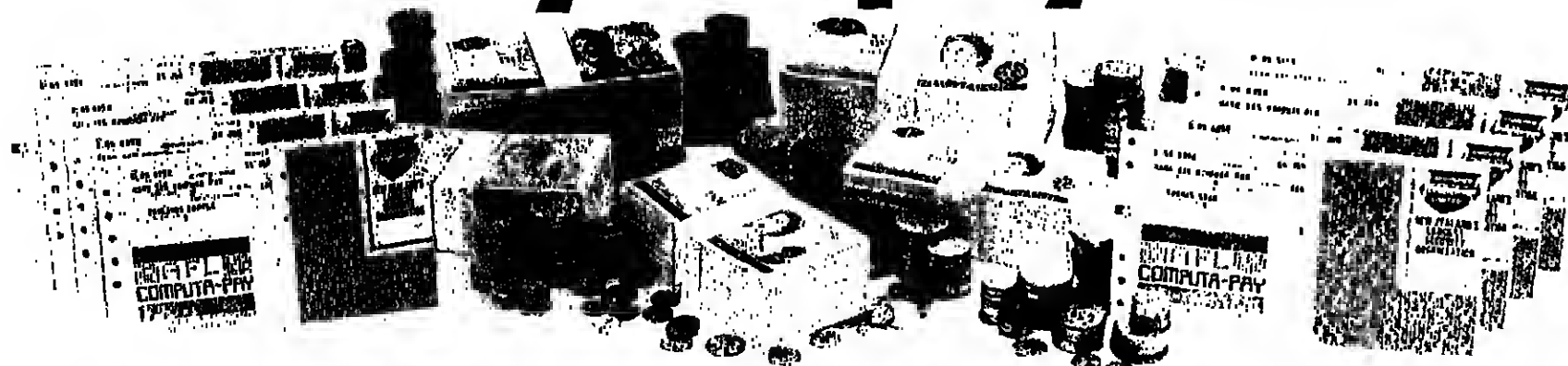
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## CER accord could clear path toward sixth bank

by Allan Parker

A SIXTH trading bank may be a step nearer following last week's broadside at Australian restrictions on banks here by Prime Minister Rob Muldoon.

Financial circles are speculating that further access to the Australian banking system would give a new New Zealand bank a far wider market base in which to operate.

By locking that access into the closer economic relationship (CER) agreement, the path toward a sixth bank would be greatly smoothed.

Muldoon's warning to the Australians that if this country is not given equal rights in the Australian market, their banks operating here may face restraints imposed by the Government.

Muldoon's statements, published in an interview with *The Australian*, caught many local financiers by surprise.

The bank issue has been on the CER agenda since the

beginning, following problems experienced by local companies wanting to establish finance house operations across the Tasman.

But, according to one Treasury source last week, the issue has not been treated as a major obstacle in official talks between the two countries during concluding CER negotiations.

The biggest headaches have been in sorting out agricultural and manufacturing problems.

So Muldoon's warning to the Australians, just weeks before a ministerial meeting, scheduled to conclude a CER agreement, caught financiers with their money belts down. And it opened up speculation about a new trading bank for New Zealand.

Five trading banks operate here: Bank of New Zealand, Australia New Zealand group, Commercial Bank of Australia, Bank of New South Wales and the National Bank.

Only one is owned by New

Zealand interests, the BNZ. The ANZ, CBA and BNSW are Australian-owned and the National Bank is part of the Lloyds group of Britain. The ANZ does have a minority shareholding open for New Zealand public participation.

In Australia, a new bank is scheduled to open soon — the first in 40 years. The Australian Government has insisted that it must be totally owned by Australians and that no shareholding can be greater than 10 per cent.

While the Muldoon broadside appeared to refer only to restrictions on merchant banking and finance house activities in Australia, complete freedom to operate within that system would certainly help a new trading bank launch itself there.

There are no restrictions on trading bank activity in Australia — the Bank of New Zealand has opened several branches there — but, as one financier commented, "the trick is to get a licence".



Rob Muldoon ... surprises local financiers

Informal talks between government officials and local financial institutions about a sixth bank have been held over recent months. While the proposition has not yet gone before Cabinet in any official

form, individual Cabinet ministers have been lobbied by the interested parties.

"There is a receptive atmosphere at regulatory and Cabinet level," according to one of the parties.

There are three main contenders for a new bank: Broadlands, Marac and NZI Finance.

Broadlands is wholly-owned by Fletcher-Challenge, which also owns 51 per cent of Marac. NZI Finance will be part of the proposed company formed by the New Zealand Insurance — South British merger.

Of the three contenders, Broadlands is regarded as an "also-ran". It is considered unlikely that a company wholly-owned by a company so heavily involved in the industrial agricultural and construction sectors would receive approval to establish a new bank.

NZI Finance is a strong contender because of its role as a financial institution with insurance money back-up.

But Marac is viewed as perhaps the strongest contender. While Fletcher-Challenge owns 51 per cent of the company, remaining shareholders include a United States Bank and the New Zealand public. The Commercial Bank of Australia was, until recently, a shareholder but has sold its holding.

Marac has also built up a nationwide network of money centres — critical in giving a new bank a successful start. It thus has an established infrastructure staffed by experienced personnel.

And, through the Fletcher Challenge ownership of Wrightson NMA, it has access to an even larger number of rural towns throughout the country.

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## Editorial

SOMETHING akin to xenophobic hysteria was generated last week when one Greg Chappell ordered his brother Trevor to bowl underarm, and so deo a Kiwi batsman the chance in walloping the ball for a night-impossible six which would have ensured that one-day cricket match between Australia and New Zealand ended in a tie. To the immediate aftermath, public wrath was levelled not only at the culprit of the piece, but at every innocent Australian, and the incident even inspired charges of cowardice from none other than our Prime Minister.

But ruthlessly played cricket wasn't the only spur to expressions of Muldoonian outrage. Unemployment statistics, of all things, rankled in high places, too, and the Reagan Administration got a whiff of the sort of thing that might upset the ANZUS alliance if it does not tread warily.

The trouble spot was a report prepared in Wellington by American Embassy officials which suggested that unemployment was higher than our official statistics suggest. If the Americans were served as badly as this in New Zealand, "they are seriously at risk in more important countries", was Muldoon's savage judgment of the American diplomatic corps. The report was so much out of line with the independent reports of "better qualified observers" such as the International Monetary Fund and the OECD as to make him wonder about the calibre of the embassy staff, he declared. (Not so long ago, those better qualified observers were arrogantly being dismissed by the same Muldoon as ivory-tower academics — but what they were saying then was not so easy for him to digest). Labour Minister Jim Bolger took a swipe, too: "If you don't do something the

way the Americans do, it, they see it as wrong".

The report which ranked the politicians was prepared by the American Foreign Service and Department of State, and released by the Department of Commerce, as one of a twice-yearly series of American publications on this country. The next is already being prepared by embassy officials. They are sold mostly to American businessmen, whom they aim to help with sales and investment overseas. They are tailored neither for economists, nor for government policymakers, but are "merely an attempt to outline trends for United States businessmen", as an Embassy official explained.

The same official said the report had not criticised the New Zealand system of calculating unemployment, but only pointed out that there was a difference in the methods of calculations in the United States and this country. American figures are calculated monthly by the Department of Labour through a household survey, in which those polled are asked if family members are working or seeking work. Our figures are based on registrations with the Department of Labour by unemployed workers. Thus the report noted the number of registered unemployed and people on Government-financed work projects last June 30, but said there were no official statistics on the number of people seeking work who were not registered as unemployed or were on Government-financed projects. Based on the embassy's estimate of 1,200,000 people in the workforce, the unemployment rate was 4.45 per cent, but if calculated by American methods, the rate would be at least 3 per cent higher.

The report also said that workers here were pessimistic about the future and foresaw no improvement in their living standards; many were seriously concerned that the introduction of new technology threatened their jobs; militants were sure to exploit the discontent of trade unionists in urge industrial action if their demands are not met. Bolger considered the term pessimism inappropriate to the economic situation or to employment opportunities. He would not declare that the work force was optimistic. Enough said on that point, surely.

The statistics question, of course, is a wide open to speculation, contention and argument. The system which we use is sanctioned by the Organisation for Economic Co-operation and Development. That does not make it an ideal measure. The American method of polling randomly selected households is susceptible to the criticism that it overstates the rate of unemployment. It, too, is imperfect. The American report did not advocate its superiority.

A research paper published in 1978 indicated that the country had 100,000 more unemployed than official figures admitted. It was prepared by the head of the Auckland University economics department, Professor Carl Walab, who calculated that the official figures "captured" about half the total male unemployed and only 10 per cent of females unemployed. In November that year, Employers Federation executive director Jim Rowe said employment could be more than double the figure given at that time by Muldoon in a television debate. In February 1979, FOL president Sir Tom

Skinner similarly claimed that unemployment levels were nearly double the official figure.

Even Bolger has questioned the value of the statistics. In December, he described the latest figures as "unreal" (because there were numerous seasonal or unusual factors which had contributed to the latest increase, he insisted).

The absurdity of the Government's rehiking the Americans is emphasised in a draft report (drawn to public attention last July by the *Press*) which said unemployment levels may be as high as 300,000 by 1984-85. That report was prepared by a committee of public servants, academics and people from industry; it estimated the true unemployment figure then as high as 150,000. And it asserted: "There is no indication that employment will diminish in the immediate future".

The report concluded that the foundations of present knowledge about unemployment were shaky and that the statistical base which decisions were continually being made was both flawed and incomplete. It noted that there was a substantial background of ignorance and that the information available on unemployment was "extremely limited and probably inaccurate".

Without firm data, questioning the official figures invites a barrage of business and proper debate is as awkward as hitting an undernourished bowl for six.

— Bob Ellis

## Without word of a lie

### Economic reticence

THE Association of Economists continues to hold its conferences in private, excluding the media.

But as one economist noted last week, perhaps a third of the association's members are civil servants, long noted for their reticence about discussing economic policies openly.

And it's a curious thing, the economist said, that even when given immunity from a prying press, those same civil servants are noted for keeping things close to their chest at association conferences, saying little more than they would tell the media anyway.

### More grape shots

THE wine industry, blasted by the IDC for watering wine, its cost-plus attitude, over-pricing, and lack-lustre export performance, will get another chance from Government.

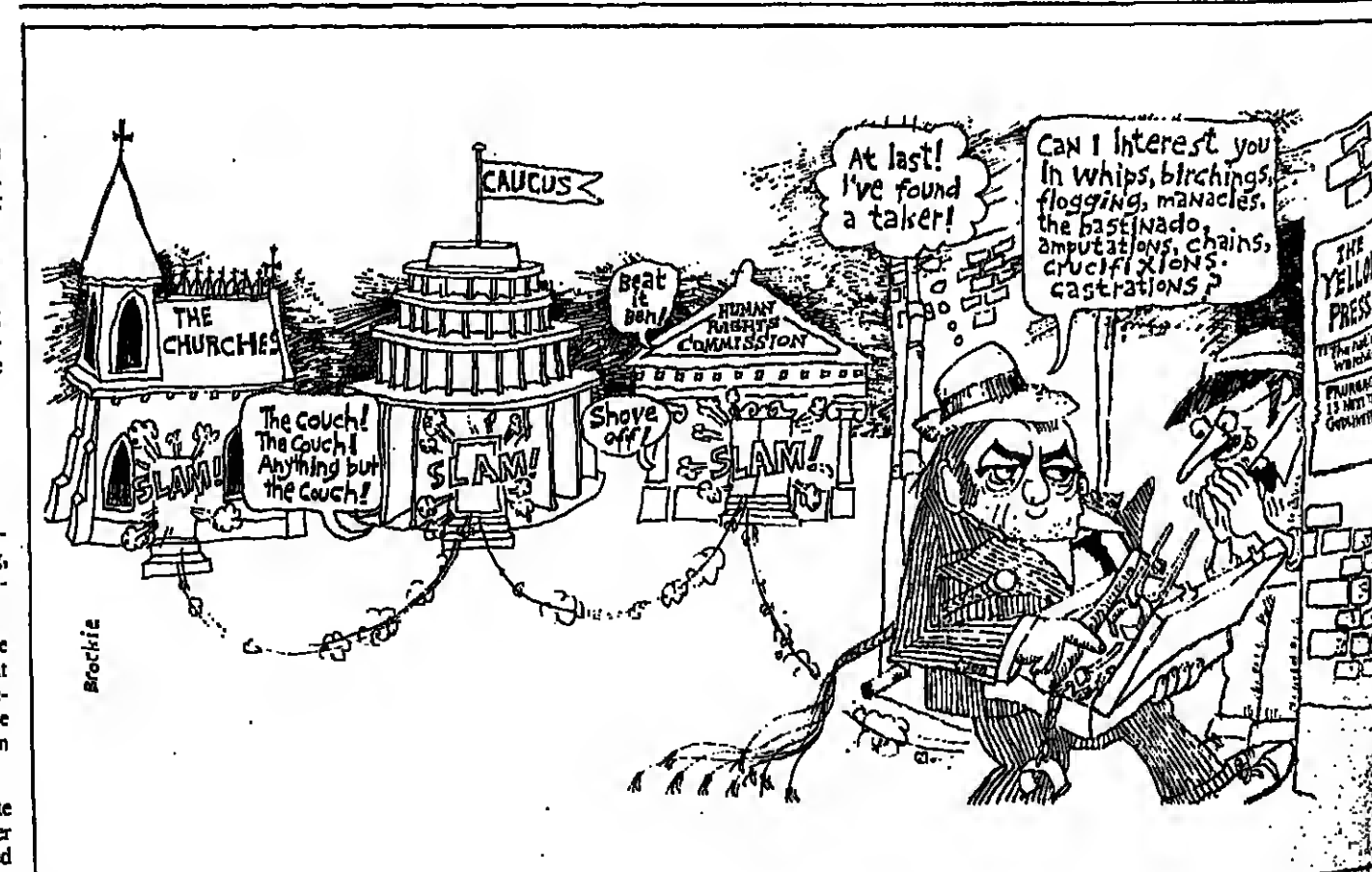
Trade and Industry has been contacting those who put submissions to the IDC, advising that further submissions would be welcome by February 13. A meeting at which views can be expressed to Trade and Industry officials has been fixed for February 11.

The exercise coincides with a Wine Institute gala tomorrow to which Rob Muldoon and other notables have been invited. The IDC's Ted Tarrent, and other critics of the industry are not on the guest list.

There is likely to be little point in making further submissions critical of what appears to be Government's darling industry. And probably, a post-IDC report to Cabinet will say something like: "Submissions were called for but none received except those from vested interests".

Trade and Industry Minister Les Adams-Schneider kept the first IDC report secret from all who made submissions except those in accord with the Wine Institute's views.

## Brockie's view



A trip to Wellington to battle on the consumer's behalf is bound to be a fruitless exercise, because the Wine Institute and wine-sellers had a private session with Adams-Schneider last Wednesday.

Informed sources suggest that the IDC report on wine will be well watered down — even though it wasn't too strong in its recommendations. It first presented its hard-nosed economic argument, then bent over backwards to appease the powerful wine lobby with sweeties from the consumer's

pocket. Present goings-on suggest those sweeties weren't sweet enough.

### Mayor gets full toss

A SPECIAL performance by Qantas to strengthen trans-Tasman relations ran into turbulence the other day. As the airline wined and

dined 140 New Zealanders in its 747 promotion flight, a report of the Australian team's underhanded tactics ruined the digestion. Qantas director of flight operations Captain Alan Terrell couldn't stop apologising.

Perhaps as a sop to one of the more passengers, Wellington mayor Michael who had complained that the plane was a joy justification for an extension to the landing the whole 1935 metres was

## Bok laws hamper realisation of non-racial sport

by David Robie

TEN years ago I saw the first foreign black rugby player to tour South Africa being brutalised on the field at Johannesburg's Ellis Park.

Roger Bourgarel, a dashing winger of West Indian descent known affectionately by his French teammates as *la fleche noir* (the black arrow) was clearly a marked man by the Transvaal team that day. Merely because of his colour.

A great roar of applause rose from the crowd when Bourgarel was laid low in a particularly savage tackle.

Three years later, I covered the South Africans touring France in what was to be their last all-white Springbok tour abroad.

Given a rousing welcome, in spite of demonstrators at Nice — twin city of Cape Town — the tour started well. But anti-apartheid clouds quickly cast a shadow. As town after town in the French rugby stronghold of the south-west cancelled receptions and mayors shunned the touring team, it became clear that white-only Springboks would never be allowed back in France.

Then came Soweto and the debacle of Montreal, where chastened New Zealanders found themselves in the dock of international opinion over apartheid.

But times change, even if just a little. In the last four years there have been remarkable trends — by South African standards — in sport in the republic, particularly in athletics and cricket.

Even in rugby. When France made a short tour of South Africa last year with another black player in its team he was barely noticed. Flyhalf Errol Tobias was selected for the South African team which toured South America last year, making him the first coloured (mixed-race) player to wear a Springbok jersey since South Africa entered international rugby in 1891.

This reflects how much rugby has undergone a transformation while faced with the international isolation of a few short years.

But it is absurd to suggest, as some New Zealand rugby officials have done, that the days of apartheid are over — or even numbered, in sport.

Comprehensive as some of the changes have been — and they are slower in rugby than in other sports such as cricket — South Africa is still a long way from anything like genuine racially mixed rugby.

The nearest that South Africa has got to this stage is in Western Province where it has been announced that white and coloured players would be free from the start of the coming season to join the same clubs. (There was no mention of blacks).

To examine the state of the game it is necessary to pose these basic questions:

Are the constitutions of South Africa's bodies (there are four) governing rugby and affiliated clubs truly non-racial?

No. The affiliated rugby body of the South African Council on Sport (SACOS), the SA Rugby Union, has non-racial clauses in its constitution — but the same cannot be said for white clubs, many of which have "whites only" clauses in their constitutions.

Is the development policy of sport non-racial?

No. The Sport Ministry still clings to the policy



Comprehensive changes... but slower in rugby than in other sports

of "multi-national" sport, including rugby.

In quality coaching available of all levels without regard to race or colour?

No. Blacks are denied the same quality of coaching, at representative, club and school level.

Are facilities and opportunities at clubs affiliated to rugby governing bodies genuinely non-racial, for example, in changing and toilet facilities and in team selection at all levels?

No. The embarrassing permit system (under the new guise of "consultation") is still forced on clubs who wish to share facilities and as clubs are mostly either all black or all white, teams are selected under the apartheid laws.

Is there a complete absence of racial discrimination in the arrangements for spectators at rugby matches?

No. Although the situation has eased in recent years, some stadiums still have segregated seating, and liquor facilities are often for whites only.

In reality, in spite of the changes, rugby (and other sports) are still played according to the principles and laws of apartheid.

Blacks must still undergo the humiliation of being treated as second-class citizens for a few sports concessions which will recoup the doors to white international participation.

Laws which continue to harass black and coloured sportsmen and women include:

• **Group Areas Act**, which forces the different races to live in areas designated by the government and imposes various restrictions on their presence in areas designated for other groups.

• **The Liquor Act**, which prohibits the serving of drinks and refreshments to other races in white-reserved premises.

• **The Separate Amenities Act**, which insists on separate public facilities for different races.

• **The Black (Urban Races) Consolidation Act**, which governs the playing of sport in urban areas outside black townships, and prohibits blacks from staying in a "proscribed" area for more than 72 hours.

But it isn't the tangle of unjust red tape which has forced rugby into making tardy changes, behind athletics and cricket.

It is the sensitive position of rugby within the Afrikaner establishment which has hindered changes. South African Rugby Board president Dr Danie Craven has had an awkward job trying to push the sport into a new era without alienating the hardliners in many levels of the game's administration.

His claim that the white board and its two allies, the coloured SA Rugby Federation and the black SA Rugby Association, would come under one umbrella organisation this year have been greeted sceptically.

SARF president Cuthbert Larismann was quoted by a South African newspaper as saying: "That is what Dr Craven says. Have you heard anyone else say it?"

Most black and coloured players in South Africa belong to the non-racial South African Rugby Union, which is opposed to the "cosmetic" changes being undertaken by the board.

SARU, led by Abdul Abbas, is also strongly opposed to the planned Irish visit and the Springbok tour of New Zealand this year, considering both tours a betrayal of their moves to get apartheid removed completely in sport.

According to Sam Ramsamy, chairman of the London-based South African Non-racial Olympic Committee — external wing of SACOS, and recently in New Zealand — as soon as one form of viceroy over apartheid sport is rejected by the world, another is immediately introduced.

"This viceroy always provides for a degree of mixing on the sports field so that South Africa can on the world it has complied with international requirements," he said.

The mixing also provides "adequate ammunition" for South Africa's supporters to back the republic's return to world sports bodies.

David Robie is a New Zealand journalist who has lived several years in Africa and was co-subeditor of the *Rand Daily Mail*, Johannesburg.

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## Letters

## Great Barrier milk sales

I REFER to the article (NBR, January 26) on sales of UHT white milk on Great Barrier Island.

The article seems to imply some sinister motive by the board — that we are seeking to create a precedent which would lead to our moving into the local market with UHT white milk. Not so.

The sales to Great Barrier came about because the Milk Board, which has the statutory responsibility of making fresh milk available to consumers, saw the board's UHT product as the ideal solution to a situation where it had not previously been able to meet its statutory requirements of ensuring availability of milk to all New Zealand consumers. Arrangements were made for supply of the milk through Anchor Distributors (the board being the manufacturer but not the distributor) of the product.

The quantity of milk involved is, by any yardstick, infinitesimal.

In the six months period since August last year only 900 litres in round figures (a twentieth of a tanker load) has been sent to Great Barrier. (That was 0.09 per cent of total annual sales of UHT white milk.)

It is an arrangement welcomed by the Milk Board and the islanders. Surely to use the term "flout" in respect of a common-sense "no alternative" solution to the problem is emotive journalism overkill, or is NBR so wedded to support of "the bureaucracy" that it believes everything is forbidden until it is permitted? The board sees service to the consumer, within the constraints of government policy, as its first duty and unlike NBR does not credit government with "straining gnats".

The article also implies that the board's overdraft facility with the Reserve Bank gives it an advantage over others who may be planning to get into the drink-packaging field. This is untrue. The fact is that the finance for the UHT plant came solely from the industry's own resources and public borrowing. The industry's last venture on to the market raised in excess of \$40 million at some 14½ per cent. It is hardly our fault if others are paying 18 per cent. This information would have been available to your reporter at the cost of a telephone call.

Do we sound sensitive? If so, it is because since taking the initiative to enter the UHT milk business, essentially as an export development activity, the board has come in for an astounding amount of "clobbering". Amazing when you consider all we did was show the enterprise to develop and market successfully a healthy fun drink, devoid of sugar imports, overseas royalties or risk to the holiday-maker from broken bottles or rusty cans.

As to the front page treatment of the sale of some \$400 or \$500 worth of milk to a be-

nighted community, which deserves all the support and encouragement that can be given it, we cannot help but feel the unquestioned zeal and thoroughness of the investigative reporting forces at your command would be better directed at the much more serious matters limiting the country's export efficiencies.

If, in the interim, we have inadvertently transgressed against the letter of a Trade and Industry requirement we are sure that that department will speedily allow us to put things to rights without any bureaucratic reduction of the amenities of the Barrier Islands. If we are guilty of anything (in your eyes) we are in this instance proud to be so.

B K Knowles  
General Manager  
New Zealand Dairy Board

THE point of the article was not to criticise the selling of UHT white milk, but to point out that the Dairy Board was selling on the domestic market where private enterprise has been prohibited. — Editor.

## Hacking and slacking

NATIONAL Business Review at its best is a brilliant publication, but it does itself no good by allowing a self-admitted PR man to hack at a prime competitor under the guise of "journalism". Nor should NATIONAL Business Review allow slack editing to permit Warren Berryman to state categorically (December 15 1980) "... all highly skilled Kiwis have left in droves".

Allister Taylor  
Martinborough

WE plead guilty to slack editing. Berryman's original sentence read: "It might also explain why all those highly skilled Kiwis have left in their droves." The change eliminated Berryman, among others, from the ranks of the highly skilled. He is still here. — Editor.

## Cost of local living

WARREN Berryman's article "Laying to rest the long held myth that living is cheaper this side of the Pacific" (NBR December 15) made a very clear point. That point was that in a country with a very generous and elaborate social welfare system, no citizen can expect lower taxation levels of the magnitude necessary to provide comparability of after-tax income.

I would suggest that to place New Zealand's cost of living (and eating) in proper perspective you should now proceed to go through a similar exercise using as a basis for comparison a country such as Denmark or Sweden with populations close to our own and also encumbered with similar social welfare services, as well as, like New Zealand,

almost total reliance on the price of imported fuel.

Colleen Dewe  
Wellington

YOUR point is taken. Our article was intended only, to give a comparison of consumer prices and has its drawbacks.

A more comprehensive comparison would be difficult. Tax and welfare regimes in various American states differ vastly.

The New Zealander may get more welfare for his/her tax dollar than, for example, the Arizonian does while the New Yorker might be more on a par with the New Zealander.

It might also be said that the Kiwi is getting less for his/her tax dollar than 10 years ago. Consider the rapid growth of private medical insurance schemes as evidence of a growing public perception that socialised medicine can no longer look after one's needs. — Editor.

## Sacred's endorsement

I MUST stress that building societies should not have been included among the "tertiary" institutions referred to in your article on our meeting with the Bank Officers' Union appearing (NBR February 2).

Social Credit is keen to endorse the co-operative role played by building societies in our economy.

Terry Heffernan  
Research officer and Social Credit housing spokesman

## A plea for accuracy

WARREN Berryman's ability at arithmetic and statistics, as demonstrated in his article on American prices (NBR December 15) are absolutely abysmal.

Studying the table of price comparisons, I find no less than 14 errors in calculation of the

percentage price increase. Among these is the obvious error of a price increase of, for example, 213 per cent (put of milk). No price can be reduced by more than 100 per cent, unless you're being paid to take it away!

More seriously, the "group average" figures are quite misleading. Take, for example, the camera film group. The camera price shows an increase of 248 per cent and the film price 109 per cent (not 102 per cent as shown).

The price increase for the group cannot be calculated by averaging these two figures to get 178.5 per cent. The increase must be calculated from the prices for one camera plus one film. The prices are \$419.94 + \$2.82 increasing to \$462.77 + \$5.90, that is, 247 per cent.

Of course, if one camera and 100 films are purchased (much more likely over the life of the camera) then the increase is 192 per cent, quite a different figure.

If you must make elemen-

tary analyses such as this, please be accurate.

C Brian Smith  
Wellington

OUR graph stated that, indicated the percentage increase over the American price; the - sign, indicated the percentage increase of the New Zealand price. In the case of milk, we said the American paid 213 per cent more for a pint of milk than the Kiwi.

Agreed, any group average can be criticised by including too few items and two items make an inadequate group.

Space was a consideration, because the list of items could have become tediously long. Also, we found that other cameras and film priced fell into the same general pattern. We included in our list 10 items we priced, the result would have been much the same. — Editor.

Continued on page 9

## Politics

## Nats stick to brand M; Sacred's pitch widens

by Colin James

EVERYWHERE I have been in the past three weeks in Social Credit territory there has been one fervent hope on league activists' lips: "I hope they make Duncan MacIntyre deputy leader."

As Duncan Day drew nearer, they could hardly believe their luck. Against all logic, as they saw it, the Muldoon Party was actually going to do precisely what Social Credit wanted.

Eager for disaffected rural Nats to swell the ranks of Labour small town defectors to put them over the top in a dozen or so seats in the northernmost quarter of the country, Social Crediters think MacIntyre's tarnished reputation will do the trick.

And besides, as they see it, his election is proof the National Party will not change its ways

and that the electorate — increasingly wanting change — will thus be still less likely to resist the lure of the monetary revolution.

In 1957, when (now Sir) Keith Holyoake shouldered aside an ailing Sid Holland as Prime Minister, the deputy's race was between two bright, young, able men: Jack Wans and Jack Marshall.

Both were men of the future. Having come into Parliament on the rising liberal wave of the late 1940s, they were eminently in tune with the 1960s yet to be.

With populist Holyoake at the top, either would have contributed the right image for the first half-decade of the flouting-while-you've-got-it 1960s and still had a broad appeal (the young protest generation apart) by the end of the period.

This time the contest was essentially between MacIntyre

and Derek Quigley — the 1960s/1970s man versus the (perhaps) man of the 1980s.

MacIntyre has won much praise, particularly within the party, for encouraging a shift of emphasis in primary industry, with more attention to fish and horticulture. That may be taken as forward-looking.

But in spirit, in public image, it is hard to see him as other than that admirable figure who stalked through the late sixties and early seventies on side with environmentalists and racial liberals — darling of younger and dreamier Nats of affluent, expensive days.

Now those dreams are like old toast, curled at the edges. A harder, leaner school preaches self-reliance, a renewal of entrepreneurial vigour, a less tolerant attitude to commercial passing of the buck.

Inside the party, MacIntyre is not seen as one of that school.

Outside, he is seen as the lapdog of the failed economic wizard.

So there was a powerful groundswell against MacIntyre in the party from the north to the south — and nearly as strong a groundswell for Quigley.

Thus, even with the Prime Minister pulling every card out of the deck he could find to push the candidacy of his choice, the Quigleyites could still claim a core of 23 votes for their man and four or five more (enough for a majority) they thought were swinging their way.

Heard those figures before? Yes. In October, the would-be coupsters thought they had 23 fairly solid votes a day or two short of the Prime Minister's return.

In the heady hours before the caucus meeting which jucked the question, they thought they had got to 26.

And, just as the October

coupsters found the 26 was not really 26 after all when the boss got to work, so the Quigleyites last week found that they did not have it either.

What it finished up at, I did not know when I wrote this column shortly after the vote — but what is clear is that the bloody-minded mood of December that would have put Quigley in if a vote had been forced had cooled off.

The GGS won his point. Tactically, he succeeded; strategically, it was a dubious move; the best the party can hope for is a neutral effect on the election and the worst it can fear is electoral disaster.

Why vote MacIntyre when the party was so clearly against him? Why promote to deputy leader a man judged by the Marginal Lands Board loan commission of inquiry "extremely unwise" and to have had "an inadequate and faulty judgment of the responsibilities of, and the public image essential in, a ministerial appointment"?

Is that not unforgivable insouciance of the sensitivities of party workers and the electorate?

Start with older ministers shoring up beleaguered positions and longer-serving backbenchers bolstering promotion chances; others not wanting two scorpions at the top; and others who felt it did not matter.

Add an apparent lack of widespread concern, even among the Quigleyites, that the ghost of the marginal lands loan will haunt them. All's bank on the electorate's memory being short (but is it?)

And sir in the best estimate I could get last week from party administrators that, while before the event there were resignation rumblings, these could be held to branch executive level and below and that a National machine — though not at its best — could still be put in the election field.

The executive — now strongly pro-change — under president George Chapman's guidance, gave the lead by blessing in advance whomsoever might be chosen.

But to talk of a lack of repercussions is to ignore the missed opportunity to present a new — or partially new — face to the electorate.

Quigley may not be everybody's ideal of a 1980s trailblazer. To many he confirms worst fears of latent atavism in the National Party.

But Quigley is unmistakably different from the ruling image at the head of the Cabinet. In the past four or five months he has gone from Derek Who? to a figure of national prominence.

Where a year ago few had heard of and fewer knew anything about Quigley, now many have heard of him and, while still there might not be too many who know much about him, he has become a symbol of change and refreshing directness in a stale world.

Of course, the opportunity to project Quigley/change is not denied to the party simply because he is not deputy.

A marketing friend of mine argues that, if National is to have any hope of countering the Sacred wave, one of its strategies should be to cover the political supermarket shelves with different brands — the

Muldoon brand, the Quigley brand, the Waring brand, the Minogue brand, and so on.

The idea is that each brand appeals to a different segment of the market and so a majority share might be achieved.

But the projection would have been easier with Quigley as deputy. By not choosing him, the parliamentary party has in effect told the party outside to go on projecting a one-brand party, the Muldoon brand.

And the willingness — chronicled here in December — of top organisational brass to back no change of brand image in the leadership, in order to keep other brands free of potential electoral sales disaster, suggests they may go along with a one-brand marketing strategy.

That leaves Bruce Beetham as the symbol of change, gathering to his new united brand a wide range of tastes now unattracted for.

Shrewdly, just as National is opting for a one-brand promotion, Beetham is dropping his one-brand marketing strategy. Trust us to do what is right, he says; we shall be all brands to all people.

He had a bit of strategic help last week, in the shape of two British Columbian Social Crediters, Hugh Harris and Bill Ritchie.

Harris and Ritchie are sure not brand-Douglas. At a meeting in Auckland last week they repeated over and over again that Sacred's here should not get bogged down in monetary reform talk.

(Interestingly, they called it "funny money", a term that has all but disappeared here.)

Good Douglas Crediters must have been amazed to be told that "there isn't anybody in this room that is going to be able to come up with a detailed economic policy". That was for the Government to work out when it got into power.

When asked how the Vancouver rapid transit passenger system was being financed, Ritchie gave no indication that he might have recognised the questioner might have had to mind the issue of debt-free money. His reply: "By the provincial, federal and municipal governments", plus a "user-pays element".

Similarly, the British Columbian way of getting out of deficit was to produce more, by lifting the tax burden on the producers, and ride to surplus on the resultant prosperity. Again, not a whisper of debt-free money.

British Columbian Social Credit is multi-brand and skillfully market-positioned. It is not for big business or big labour, but for small business and the "middle people society". It stands against high tax, excessive state intervention and socialism. Most of all it is for balanced budgets and good fiscal management. So one woman eventually asked what "fiscal" meant.

In British Columbia, apparently, it means: "the chronological term of the measurement of a group or collection of figures". "It is the total figure that makes up your gross national product". "Fiscal responsibility means doing it right and with responsibility".

Come back, Major Douglas. All is forgiven.

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## Economics

## Cover-up no cure for the acme of unemployment

## Economies Correspondent

THE official statistics for registered unemployment are bad enough. Measured in this way, unemployment is nearly nine times greater than it was when Prime Minister Rob Muldoon's Government first took office in December 1975.

So you can imagine the embarrassment of our leader when he saw the latest United States Embassy report on New Zealand economic trends which said our actual unemployment rate would be much higher if the number of people actually seeking work were counted instead of just those bothering to register with the Labour Department.

Buried in a mass of material about business trends, growth in forestry output and manufactured exports was the embassy's estimate that the official unemployment rate here was 4.45 per cent in mid-1980 with the qualification "if calculated by United States methods, that rate would be at least 3 per cent higher".

This hit a raw nerve and our Prime Minister lashed out that these unemployment calculations made him "wonder what calibre of staff the United States is sending to their Wellington embassy".

"If they are served as badly as this in New Zealand they are seriously at risk in more important countries."

Economic information gathering is one of the prime tasks of all diplomats in Wellington. And in the case of unemployment statistics, it is the Prime Minister, not the United States embassy, who is out of step.

The debate about how to improve our method of collecting unemployment has gone on for several years. In 1974, when this Government was in opposition, Shadow Labour Minister Peter Gordon said the way we collect our unemployment statistics is disgusting. He promised a change in method under a National Government. He expressed enthusiasm for the household survey approach, but seven years later, we are still waiting.

There have been cautious moves to revamp our unemployment calculations.

In the first three months of last year, the Statistics Department carried out a pilot survey of the labour force. But last week, almost a full year later, Labour Minister Jim Bolger reported that the survey was still needed.

The Government will not give its go ahead for a labour force survey until it agrees on the survey procedures, on the questions asked by such a survey and on the least costly method of conducting it. Or in other words, even if the pilot survey is successful, the Government can keep raising issues about its acceptability during election year.

If the official figures for those registered as unemployed and on special work indicate that there are over 70,000 unemployed now, it is likely that any survey of those unemployed would report at least 100,000 unemployed. And some pundits say that actual unemployment is closer to 200,000. A lot of Government energy, which could otherwise be spent on curing unemployment, is being spent to keep

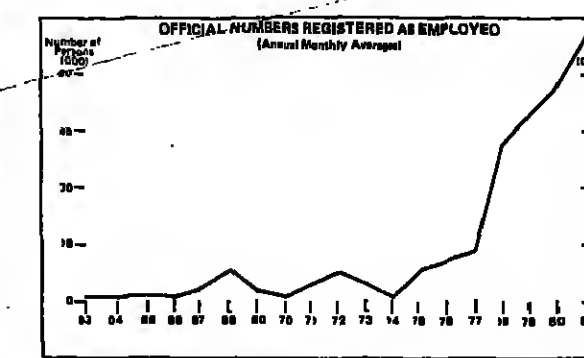
figures like these out of the public limelight.

Five yearly census data shows that there is a wide gap between the number who register as unemployed and those in the population who think of themselves as unemployed. When the latest census was taken in March 1976, 27,210 persons reported that they were unemployed. Yet the official figures listed only 5021 persons registered as unemployed for that month.

Another census will be taken in March this year, but it will take some months to process the results. And then it will be another five years before another census is taken.

Economists trying to assess the extent of unemployment here have tried to adjust census data so that unemployment can be measured in non-census years, and so that unemployment may be defined in different ways.

Unemployment has a variety of definitions because it is seen as a measure of political, social, as well as economic performance. Most countries measure unemployment according to different practices or definitions.



But there is growing acceptance of the International Labour Organisation definition.

Under this definition an unemployed person is one over 14 years of age without a job but looking for paid work and who is ready, willing and able to take on employment.

Data collected by our five yearly population census comes close to the above definition. Respondents are asked if they are "unemployed and seeking work".

But even this question does not exactly fit the above definition because persons working part-time who are searching for full-time work are excluded as

are those who would accept a job if offered one but who have given up the active search for a job in the belief that they would not get one.

John Gellacher, then of the Reserve Bank, tried to assess the extent of unemployment by comparing the potential workforce with the actual workforce. This method showed the number of unemployed to be substantially above the number registered and above the number recorded by the census in 1971.

Gallacher's series would have been a useful indicator of unemployment during the last decade, but his latest calculations relate to 1971.

Carl Walsh, previously with Auckland University's economics department, adjusted the Gellacher series for changes in the labour-market as well as changes in the supply of labour.

Put simply, his results showed that actual unemployment was equal to a little over two times the number of males registered as unemployed and 9½ times the number of females registered as unemployed.

There have been significant changes in the labour market since Walsh published his estimates for the early to mid-1970s.

But applying the simple formula above to statistics for registered unemployed in December 1980, gives an estimate of over 220,000 who are actually unemployed.

Work by these and other economists shows that in order to come to grips with the unemployment problem, we probably need several different data sources for measuring unemployment. The labour force survey will provide useful information between census years if it asks the right questions.

We could learn a lot from the

Australians in this area who recently instituted their own survey.

But another source of useful information would be the census itself, if some additional questions about unemployment could be added. A question asking whether respondents were registered as unemployed would provide an indication of the relationship between those who say they are registered for census purposes and those who also say they are unemployed.

But improving the statistical methods for calculating the number of unemployed is only the first step to solving the unemployment problem. It is an important first step because it fuels political concern and informs economic analysis.

The Prime Minister's own embarrassment over unemployment could be eased if he changed his brand of public relations make-up.

Instead of using heavy cover-up on the oozing pimple of unemployment, his efforts to push forward the labour force survey and changes to the census are likely to get under the skin of unemployment and clear it up quicker.

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# Heavyweight correspondence: readers contest the

BEWARE of current cost accounting. It inflames the passions, heats the blood and stirs up the senses.

Since writing an article on CCA, and its possible application to fiscal drag as it affects wages and salaries (NBR, January 19) correspondence has flowed in to my office.

I feel like the referee of a major tag wrestling match in *On the Mat*.

"In the blue corner, representing the Accusing Accountants, the current heavyweight champion, President Bob Pope and his younger partner for this match, Malcolm McCaw. In the red corner, the Corporate Couple, Brian Picot, and the Farmers Trading's Gordon Robertson.

"Your referee this week, *Mustah Peter O'Brien*."

The first move came from Brian Picot, well known company director and chairman of

Progressive Enterprises, operators of the Foodtown chain of supermarkets.

"We always enjoy reading something that supports our own views, and I must say I appreciated your article on page 17 of the *National Business Review*, January 19.

"You do a good service in bringing this issue before NBR's readers at this time."

Picot enclosed a copy of an address given by Robertson, assuming that it had been seen here, although we must confess to no previous receipt of the document.

Robertson's paper is long and it can only be summarised here, by using some of the sections as quotations:

"...Decisions on the implementation of any form of inflation accounting cannot be left to academics and accountants...

"Not that I am convinced

PETER O'BRIEN comments on the financial and business week, appraises the share market and analyses the company accounts.

that anything like a majority of the members of the New Zealand Society of Accountants are in favour of inflation accounting — I am of the opinion that in this matter the council of the society is going against the wishes of the majority of their members and that a postal ballot would result in a resound 'No'.

"I believe the fundamental error of inflation accounting is that it tries to amalgamate two separate issues — one is the measurement of profit and the other the problem of financing increased investment (in dollar terms) in business assets because of inflation. The latter problem can and should be tackled separately, thus ob-

viating the confusion, distortions and misunderstandings that arise when they are combined".

Robertson then gives two simple examples based on the replacement cost of stock bought by retailers, showing that the businessman actually works on percentage markups, rather than dollars and cents margins, while the CCA system bases its formulae on simple dollar and cents differences when accounting for the alterations to inventory values, and thus to profit.

"It can thus be seen that when inventory forms a major part of a company's assets that the main determinant of profit (under CCA) is not the ef-

iciency with which the business is run but the rate of inflation that applies to the merchandise it stocks.

"Does anyone here really think that is a correct method of judging a company's performance? On top of that the rate of inflation changes each year, so, comparability over a period of time is also lost."

Robertson then referred to taxation, pointing out that Finance Minister Rob Muldoon made it quite clear that whatever method of accounting was used, the corporate sector would be required to pay its present share.

"This would mean an increase in the rate of tax if CCA was introduced and he also correctly pointed out that all that would happen would be that individual firms would be paying either more or less than at present.

"Unless you are a very devoted believer in the Truthness of CCA you will not be happy if you are one of those who will pay more."

Robertson says it is because of his concern with inflation that he opposes CCA.

"The point is that you cannot cure inflation by increasing the rate of inflation.

"Also no one section of the community can insulate itself from its effects. That, of course, is what CCA tries to do — it does not account for inflation but ignores it and says the business should act as if it didn't exist."

In other words the rest of the community must carry the

whole burden of inflation. It is a basically selfish motive, however much you try to gloss it over by saying that less business is healthy than no business. In any case, it is an attitude that is bound to fail and can only cause friction with other parties in the economy.

Each section of the community must accept its share of the burden and do its best to reduce inflation. This can happen if you institutionalise as CCA does. Such a system accelerates growth as there is no incentive to be efficient, as answer.

But the Government must also do its bit in reducing the burden of inflation. It referred to the 11 trading stock tax rebate, not adjustments in the rates of personal income tax, and for similar moves at appropriate times.

His paper finishes with a comment "So, instead of piling with figures let us work to get inflation down otherwise it will consume all."

The words of Picot and Robertson sounded fine, but the rest of the correspondence was opened. What a shock!

Accountants' Society president, Bob Pope, came out of the blue corner. Pope referred to the essence of the NBR article, and its delivered some forensic

## Shaping up for the year of the cash issue

THE sharemarket may be shaping up for the year of the cash issue. Several companies are likely to need additional capital for expansion, to reorganise their gearing, or for a combination of both.

DIC and Wilson and Horton were the first companies to announce issues. The former is making a one for four issue of \$1 shares at a premium of 70 cents, making a total of \$1.70. The latter will issue \$1 par value shares in the ratio of one for six at a premium of \$1.50, making a total of \$2.50.

For existing shareholders, the terms allow entry into DIC at a dividend yield of 9.41 per cent. Wilson and Horton shareholders will obtain their new shares at a yield of 8 per cent (assuming a 16 per cent payment for DIC and 20 per cent for Wilson and Horton).

The retailer's new shares will not participate in the interim dividend in respect of the 1981

financial year, and the publishing company's scrip will miss the final payment for the year to March 31.

The table of prices takes account of the dividend difference, but the yields are based on a full dividend. The table gives a guide to the state of the company's new shares and range of cash issue prices.

Wilson and Horton is performing well this year, and the highest priced of the last publishing companies, on a criterion used for assessing value in relation to profitability.

As is the case with all publishing companies, it has a carrier in the form of a daily newspaper, *The New Zealand Herald*, the largest daily in the country.

Various specialised and other commercial printing and ciliary activities make up business mix normally

February 9, 1981

"The accounting profession in New Zealand and elsewhere is concerned that reported profits of business entities are being over-stated because they do not take account of the effect of price level changes. Current cost accounting is a method of measuring profit in real terms by eliminating the distortions which arise from the effect of changing prices on financial reporting, using a presumably constant money value.

"CCA makes no attempt to correct the inequities stemming from our taxation system. What we are seeking is a proper reporting of profits derived by business entities."

(As an aside, every stage 1 accountancy student knows CCA makes no attempt to "correct the inequities stemming from our taxation system", but the CCA proponents use CCA principles regularly as a start to an argument that the tax system is just the creek).

"In proposing CCA we are not (pushing) a case for a particular section of the community". Indeed, the community would do well to recognise that if business entities continue to ignore the reality of results reported in CCA terms there will be more business failures with the attendant loss of jobs for individuals. If information about the effects of changing prices is not available, the cost of capital may be excessive for businesses that can use capital most effectively. Resources may be allocated inefficiently and all members of society may

suffer. Furthermore, people in government who participate in discussions of economic policy may not obtain the most relevant information on which to base their decisions.

"The CCA guideline issued by the (society) indicates that because taxation is still levied on the historic cost results the actual tax liability should still be reported in the adjusted accounts. The effect of this is to show that the rate of tax payable by business in relation to its true profits is significantly higher than the 45 per cent standard corporate rate and indeed those companies which report a loss in current cost terms are probably still paying tax based on historic cost profits."

(Well, dear reader, is a proponent of CCA using CCA principles to show up the inequities stemming from our taxation system, or is he not?)

"It is not only salary wage and other fixed income earners who suffer from fiscal drag. The same problem applies to the tax on business incomes".

Pope later explained in a telephone call that he meant other non-corporate incomes, for example the self-employed, farmers and so on. For which he gets nine out of 10 for accuracy and a lower mark for reading, because I said in the article: "There is no brain-power being applied to the problem of inflation as it affects other sections of the economy, whether they be the farmers, wage and salary earners or the

associated with a large publishing concern.

The group's attempts to break into television appear to have sparked market interest, and raised the share price over the last year. The company appears confident that it will obtain time, and last week's statement by Broadcasting Minister, Hugh Templeton, about breakfast Television should maintain investor interest (and please note, those responsible, keep the fresh and lovely ads off breakfast television; concentrate on coffee, and similar early morning goodies for the bleary-eyed).

The DIC was discussed in this column last year, when the shares appeared underpriced in relation to other retailers and to the total market.

Shareholders at the 1980 annual meeting heard that pre-tax profit for the first four months of the 1980-81 year (now extended to 13 months, following a balance date change to August 31) was about 17 per cent ahead of the corresponding period of the previous year, with sales expected to reach about \$30 million on a 12

months basis, compared with \$43.4 million in 1979-80.

The company says it has tax-free sources available for dividend payments for the next 11 years. If it continues to make dividends payments from these reserves, the effective entry yield for an existing shareholder on a marginal tax rate of 60 cents in the dollar is a handsome 23.52 per cent.

The effective yields from the range of dividend yields in the table can be calculated by dividing the appropriate figure by 0.4. For example, at an ex-issue price of \$1.83 the effective yield for a 60 cents in the dollar taxpayer becomes 21.85 per cent, at an ex-issue price of \$1.91, it drops to 20.92 per cent, and on an ex-issue price of \$2.03 it is lowered to 19.7 per cent. Both issues are likely to be well-supported.

Note: The writer neither owns nor has a beneficial interest in DIC, or Wilson and Horton shares, but has a relationship with the latter company in a journalistic capacity.

## of the cash issue

	Cum Issue (\$)	Rights (cents)	Ex Issue (\$)	Yield (per cent)
DIC	1.85	13	1.83	8.74
	2.00	17	1.87	8.55
	2.05	21	1.91	8.37
	2.10	25	1.85	8.20
	2.15	28	1.88	8.04
	2.20	33	2.03	7.88
Wilson and Horton	4.60	1.88	4.18	4.78
	4.70	1.78	4.28	4.68
	4.80	1.85	4.35	4.59
	4.80	1.83	4.43	4.51
	5.00	2.02	4.52	4.42
	5.10	2.10	4.60	4.34

## notion of current cost accounting

fallen into total disarray".

(We agree with Pope here, which is why several articles have been written on the point that company taxation should be abolished or reduced to a very low level, thus removing the distortions, and, incidentally doing away with a thriving secondary industry for accountants).

"The fiscal drag problem which your article highlights will NOT be solved by a total inflation accounting system". It needs to be tackled by a long overdue reform of the taxation system. While the politicians continue to abrogate their responsibility in this regard we in the accountancy profession will continue to advance the case of CCA in the belief that its benefits will accrue to ALL sections of the community."

Pope tagged McCaw, who entered the ring with a sideswipe at the referee.

McCaw's sideswipe is related partly to the old problem of equating percentages and unit margins. He feels that a 16 per cent increase in wages before tax also includes a 16 per cent increase in tax and another 16 per cent increase in after tax wages.

He says it is a simple example, because it assumes the same tax band, which may not apply under "fiscal drag". That is correct, but the point was that such a wage increase may finish up with less than half the actual dollar increase because of fiscal drag.

McCaw also says that although wage rates are paid after the event, the time lag is much shorter than in companies where "traditional forms of accounting relate to cost which in many cases are 10, 20 or even more years ago. CCA accounting (sic) merely brings income determination into line

with current costs. Wage rates are determined by a similar principle. If current wage rates and their relationship to current cost of living is suitable for wage earners should it not also be suitable for business?"

(Agreed, but the wage — which is the only "price" the income earner has for his product — moves immediately into the price system of the business, which is only one of its "prices", or cost, of inputs).

If anyone is thinking of entering the ring to challenge either side, please remember that this is a heavyweight contest.

If the teams start throwing punches the referee cannot guarantee your safety. That applies particularly to the academics, who may have had few professional bouts, with most of their work done in the comparative safety of the gymnasium.

## IMPORT LICENCE TENDERING SCHEME — CALL FOR TENDERS

Pursuant to the Import Control Regulations 1973, Amendment No. 3 (S.R. 1980/246) the Secretary of Trade and Industry, acting under delegated authority is calling tenders for import licences for the goods specified below. These goods constitute "Lot Two" and the closing time and date for tenders is 5.00pm, 7 April 1981. Instructions for prospective tenderers and the general terms and conditions which apply to the submission and acceptance of tenders are set out in the Guide to the Import Licence Tendering Scheme. Copies of this guide and tender forms may be obtained from the Department of Trade and Industry and the Customs Department. Tenders should be addressed to the Registrar, Import Licensing Tendering, Department of Trade and Industry, Private Bag, Wellington. Tenders for "Lot Two" will be opened on 8 April 1981 and official results will be published in the New Zealand Gazette.

TENDER NO.	ITEM CODES	TARIFF	BRIEF DESCRIPTION	1ST ROUND ALLOCATION	LICENCE UNIT SIZE	NO. OF UNITS A TENDERER MAY BID FOR
1981/14	Ex 33.005	33.06.001 to 33.08.021 Ex 33.08.022 to 33.08.038 10 33.08.048	Perfumery, cosmetics and toilet preparations; aqueous diluents and aqueous solutions of essential oils, including such products suitable for medicinal uses	\$80,000	\$6,000	2
1981/15	34.010	34.01.000 01A 34.01.000 11J 34.01.000 180 34.05.001 34.05.005 Ex 34.05.009 34.06.000	Soap powders, flakes and granules Toilet soap in tablets Other soaps Polishes & creams, for footwear, furniture or floors, metal polishes, scouring powders and similar preparations but excluding prepared waxes falling within heading No. 34.04 Candles, tapers, night-lights and the like	\$76,000	\$7,500	2
1981/16	42.005	42.01.000	Saddlery and harness, of any material (for example saddles, harness collars, traces, knee-pads and boots) for any kind of animal	\$30,000	\$3,000	2
1981/17	42.026	42.05.008	Other articles of leather or of composition leather	\$7,000	\$1,000	1
1981/18	45.005	45.04.031 45.04.038	Table mats of agglomerated cork Other articles of agglomerated cork	\$20,000	\$2,000	1
1981/19	Ex 48.075	48.10.009	Cigarette paper, cut to size, whether or not in the form of booklets or tubes; Other Writing blocks, envelopes, letter cards, plain post cards, correspondence cards, boxes, pouches, wallets & writing compendiums, of paper, or paperboard containing only an assortment of paper stationery. Other paper and paperboard, cut to size or shape. Paper weighing not more than 22g/m <sup>2</sup> for use in wrapping fruit Paper cut to shape and printed, for dress pattern envelopes Other	\$100,000	\$10,000	2
1981/20	Ex 48.075	48.15.011 48.15.021 48.18.028	Regulators, electric books, note books Memorandum blocks, order books, receipt books, diaries, blotting pads, binders loose-leaf or other file covers Other stationery of paper or paperboard; sample and other albums & book covers, of paper or paperboard	\$125,000	\$12,500	2
1981/21	48.084	48.18.001 48.18.008	Wallpaper and linoleum; window transparencies of paper Patterns for apparel Sanitary towels Other printed matter of Part II Chapter 48	\$30,000	\$3,000	2
1981/22	48.080	48.11.000	Other articles made from yarn, twine cordage, rope or cables other than textile fabrics & articles made from such fabric	\$10,000	\$1,000	1
1981/23	48.090	48.21.001		\$5,000	\$1,000	1
1981/24	48.082	Ex 48.21.011		\$60,000	\$6,000	2
1981/25	48.010	48.01.001 48.07.008 48.08.000 48.08.000 48.10.000 48.11.001 48.11.011 Ex 48.11.031 Ex 48.11.081 48.11.088		\$200,000	\$20,000	2
1981/26	Ex 58.105	58.06.000		\$10,000	\$1,000	1

- NOTE:
- Tenderers should refer to the Customs Tariff and the Import Licensing Schedule for a definitive description of the goods included in the list above.
  - Tenderers should be conversant with the various statutes and regulations which importers are obliged to comply with such as the Food and Drug Regulations 1973, safety standards, duties and sales tax etc. where relevant.
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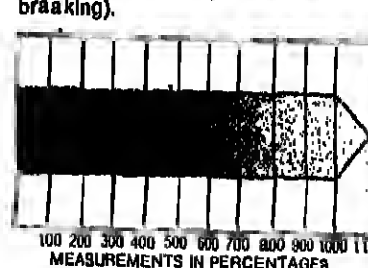
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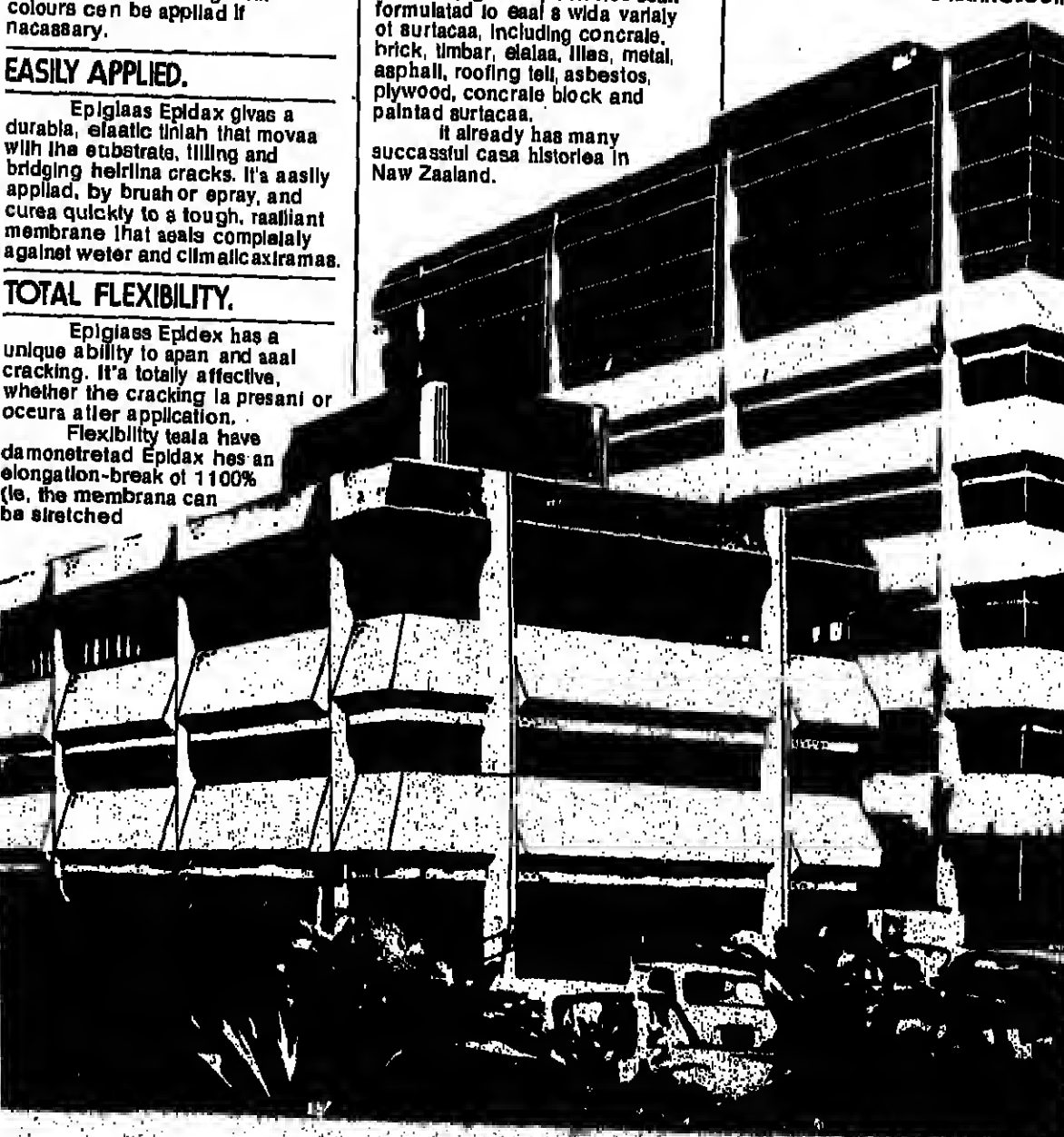
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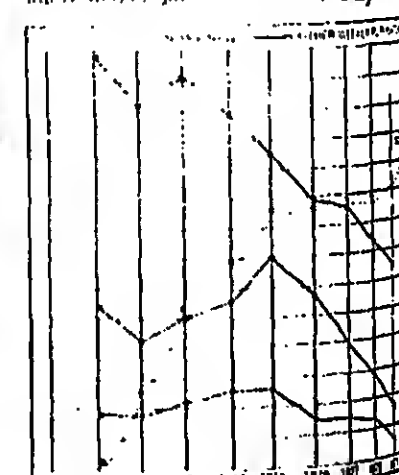
Talk to your Media department now, or ring Sunday News Advertiser.

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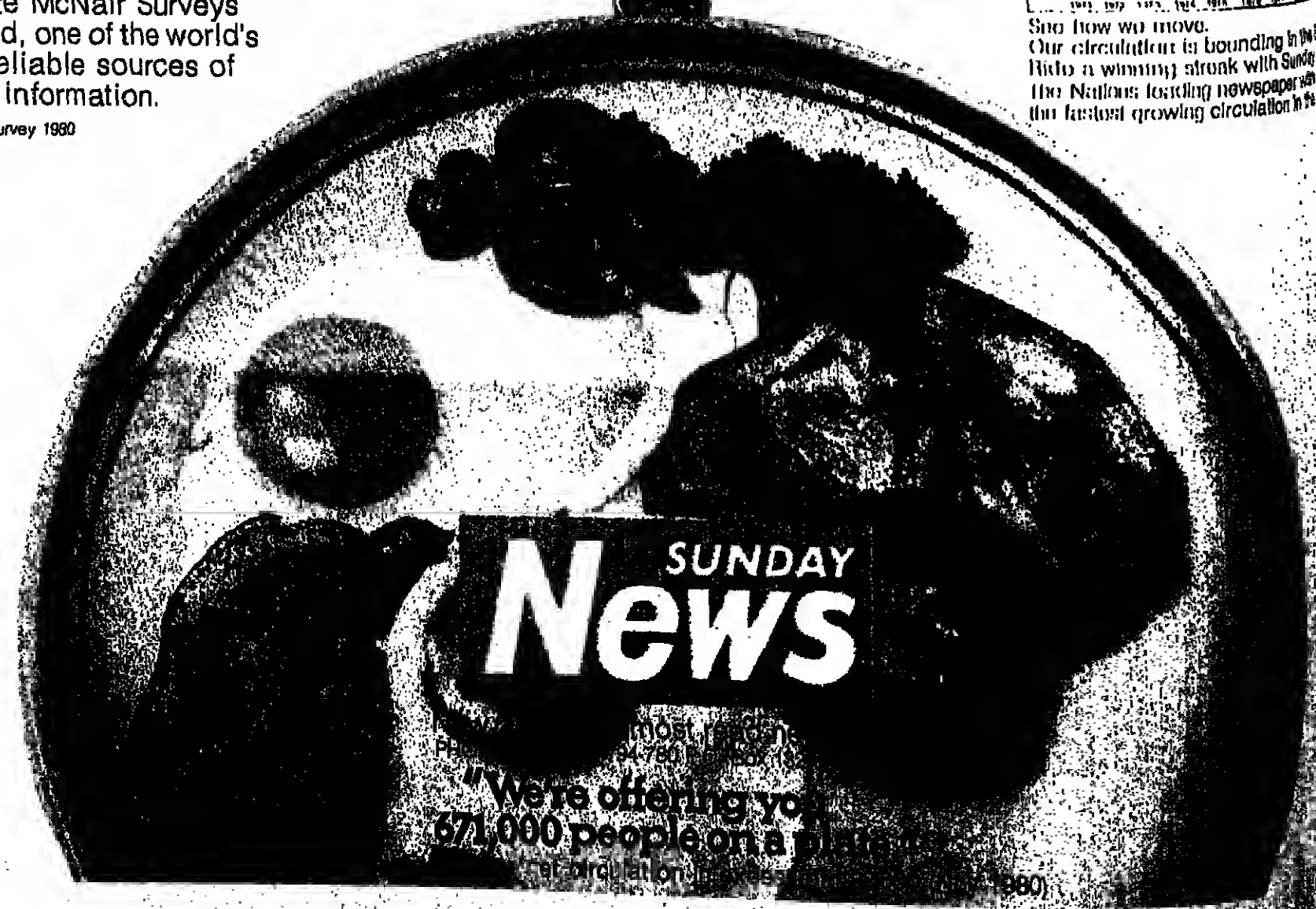


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## Admark

### INL award time approaches

by Grev Wigga

ENTRIES have just closed and with the presentation date announced, INL Newspaper Award time is just around the corner.

Administrator of the award scheme, Ian Wells, said there should be good entries for this year's competition with several agencies fronting up for the first time.

Judging will be conducted on February 16 by a panel of eight creative directors chaired by New Zealander Jim Falconer.

The award ceremony will be held at the Hotel St George, Wellington, on Thursday, March 19. The awards will be presented by Dr Simon Broadbent, who will be visiting New Zealand on a lecture tour sponsored by the Association of Accredited Advertising Agencies.

### 4 As appoint officer

CHRIS Ineson, industrial executive officer of the New Zealand Freezing Companies Association, has been appointed by the Association of Accredited Advertising Agencies as executive director.

The 4As will then have, for the first time, an individual office organisation, a move which signifies long-term industry thinking.



Ross George... undergoing constant change

President Ross George earlier indicated that in future the association needed to become more visible commercially.

"The industry, and the media scene in particular, is undergoing constant change," George told Admark, "and we, as an association, need to anticipate these movements. For this reason, we need a well-based headquarters."

Ineson has had considerable experience in industrial matters and is widely known in sporting circles as a New Zealand Olympic hockey representative at Munich.

"I have only two targets at



Do you know how to make a really dry Martini?

the moment," Ineson said. "The first to set up the mechanics of a national office and the second to get to know the needs and requirements of association members. Then we get to work."

### Furnishing a stable

by Gordon McLachlan

IPC MANAGER, in New Zealand for the last five years, Glen Le Noel is buying three trade magazines from Modern Productions Ltd of Auckland. They are Management, Office

Equipment News and Forest Industries Review.

Modern Productions is a family firm which has published Management, the official journal of the Institute of Management, for 27 years. Managing-director, Shane Niblock, will retain the company and continue to operate one of its main divisions, Whites Aviation.

Le Noel is leasing the company's Grey Lynn offices and will add a new magazine — Travel Digest to his stable almost immediately. It will be edited by Tony Glanville, until last month editor of the IPC Travel Trade Magazine. Glanville worked for Le Noel

and they left IPC simultaneously.

Glanville is well known and respected for his industry in the trade. Travel Digest will be the third monthly trade paper within the industry, all of them published from Auckland.

Le Noel has been succeeded at IPC by Lewis John Smith, whose designation is managing-editor. Smith is a former magazine editor who left the company a year ago on what he called "a sabbatical".

The new editor of Travel Trade is Gillian Williams. Other trade magazines published by IPC in Auckland are: CERT (Civil Engineering and Road Transport), Logging,

Farm Power, and Medical Electronics News. The company also produces a number of technical annuals.

### Bugle runs to fourth issue

FORMER Sunday News journalists Alan Hitchens and John Wilson have published the fourth issue of their 16-page monthly throw-away in Auckland's suburb of Birkenhead.

Wilson says they are already breaking even with a 10,000 print run, and plan to change to a fortnightly and spread to neighbouring Northcote.

The tabloid is called the Birkenhead Bugle. The third member of the publishing triumvirate is housewife and ad salesperson Nola Smith.

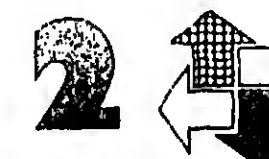
Wilson and Hitchens were approached, says Wilson, by "a representative group of people" from Birkenhead and asked to start a suburban paper. Former Sunday News editor Hitchens spent several years in the United States, and failed in a bid to establish a national newspaper here last year. Like Wilson he is now freelancing. Wilson edits Fishing News (a monthly in the winter and a fortnightly in the summer) and is working on several fishing books.

## 7 Reasons To Think NETWORK For Public Relations



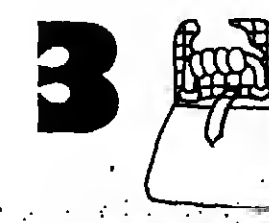
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### 3 A Commitment to Client Services

To NETWORK, client service means more than being available when needed. We work regularly for our clients. Some of them we are in contact with daily... our larger clients regard us as extensions of their staff. We also have a client service structure different to most which allows the client to benefit from our individual consultancy skills. Nor do we wait to be asked to do something — because we consider it is our job to find solutions to problems (sometimes before our client realises they have arisen).



### 4 A Planned Approach

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### 5 Compatibility With Others

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### 6 A Responsible Attitude Towards Growth

NETWORK is among the largest P.R. consultancies in the country. Our client list includes some of the biggest international names and a selection of the most respected New Zealand public companies. We also offer specialised help to smaller companies. We have no aspirations to sacrifice quality and professionalism in the name of growth. New business is sought on the basis that it is challenging and that it can be efficiently serviced.



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## The law

## Report offers tips for criminal proceedings review

by Jack Hodder

THE report of the Royal Commission on the Thomas Convictions destroyed at least some of the complacency surrounding our traditional procedures for handling criminal prosecutions. Timely and authoritative recommendations for change are contained in the report of the (British) Royal Commission on Criminal Procedure published last month.

The British report will receive close study in New Zealand. It is based on an exhaustive study of the present system in England and Wales (which our system follows closely), is the first such study since 1845 and cost \$3 million. The 16-member Royal Commission was chaired by Professor Sir Cyril Philips, professor of oriental history and former vice-chancellor of the University of London, and included Lord Justice Eveleigh and Jack Jones, a former trade union leader.

The commission was estab-

lished after three youths "confessed" to a murder they did not commit, following a long campaign and an official inquiry, were later freed.

Its main terms of reference were to investigate and recommend any necessary changes to:

- The powers and duties of the police in respect of the investigation of criminal offences and the rights and duties of suspect and accused persons, including the means by which these are secured; and

- The process of and responsibility for the prosecution of criminal offences.

(Thus the commission was tied to the existing framework of criminal procedure — "adversarial" rather than "inquisitorial".)

The range of the British report is too wide for all of its major points to be properly discussed here. But it is of some interest to concentrate on cer-

tain features highlighted at various stages of the Arthur Allan Thomas saga — the proper recording of police interviews, the threshold for and conduct of prosecutions, the admissibility of improperly obtained evidence and the responsibility for police disciplinary decisions.

On the topic of police interrogation, the commission recommends that, following a proper arrest, the police should be able to detain a suspect for up to 24 hours (after 6 hours the detention would be reviewed by an officer not connected with the case) when (subject to extensions which may be granted by a court) he must be either charged or released. It also recommends that the rule prohibiting adverse comment at trial on a suspect's silence under police questioning be retained.

The commission stressed the importance of an accurate record of statements made to the police. It recognised that the

tape recording of all police interrogations would provide an accurate record as well as a monitor on the manner in which interrogation was undertaken.

But it compromised on the basis of the high costs (largely in transcription) that full taping would involve and recommended that taping be limited to full statements or to a full oral summary of the interview made by the police officer plus any comment which the suspect might wish to make.

Perhaps the most important of the commission's recommendations is the proposal that the "conduct of a prosecution should become the responsibility of someone who is legally qualified and is not identified with the investigative process".

In other words, to have off the police's present prosecution function to a system of local Crown prosecutors.

In the British context, the

system envisaged involves salaried and legally qualified members of a prosecutions department. In the New Zealand context, it might involve an extension of the present Crown solicitor scheme and the termination of the conduct of District Court prosecutions by police sergeants.

The report appears to contemplate that the police would remain responsible for the decision whether to prosecute (as opposed to taking no action or issuing a caution to) any person. Thus the system proposed is not analogous to the American district attorney or Scottish procurator fiscal systems where the decision whether to prosecute is removed from the police.

The commission does recommend a change in the threshold which must be reached before proceeding with a prosecution. Under the present system a prosecutor is justified in proceeding with a prosecution if he believes there is a *prima facie* case, that is, that he can present evidence which, if believed, would result in a finding of guilt. The commission's proposal is that the decision to prosecute should be based on there being a more than 50 per cent chance of conviction in all the circumstances.

Some strong comments were made in the Thomas convictions report on the failure of the prosecution (meaning the police) to deliver information available to it, which might have been of assistance to the accused, to his lawyers.

The British commission proposes a clarification of that obligation (but leaving the extent of the disclosure to the prosecution's discretion) and, more importantly for a New Zealand audience, its extension to all courts and all cases.

Although the civil liberties lobby prevailed over the police lobby in persuading the commission to retain the "right of silence" for an accused, it failed to persuade the commission that evidence obtained in circumstances where the police

had exceeded their powers of search or had failed to observe legal safeguards should be automatically excluded from the trial.

The commission favoured the present judicial discretion (not notoriously over-indulgent) to exclude unfairly obtained evidence, and proposed that judges direct juries to look for independent corroboration of "doubtful" evidence.

The civil liberties lobby also failed to persuade the commission to recommend that a senior police officer (rather than police officers) should have responsibility for "policing the police", that is, investigating complaints and ensuring observance of citizens' safeguards.

In Britain the report has had a predictably mixed reception. The police forces are happy with most of it. The civil liberties folk are unhappy with quite a lot of it. The Labour Party has rejected most of it. The Conservative Government is going to have full discussions about it. And the lawyers and newspaper editors are reasonably happy but a little doubtful about the effectiveness of constraints on the police.

In New Zealand the legislation dealing with criminal procedure (the Crimes Act 1946) and the Summary Proceedings Act 1957 must be due for a 20-year review. Such a review will provide a useful opportunity for implementing the many overdue but uncontroversial recommendations of the British report as well as clarifying the New Zealand debate on the controversial issues.

These issues are of great importance. They relate to the balance between ensuring the punishment of criminals and ensuring the protection of individuals from oppressive or over-zealous use of the extraordinary powers entrusted to the police. And they are complicated by the age, socio-economic and racial profiles of the groups with whom the police deal most frequently.

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## Sacred phenomenon

## The misfit vote theory needs modification now

SOCIAL Credit may no longer be simply a respectable protest vote. In this fourth article in a series, Colin James looks at why voters choose to leave the two older parties for Social Credit and finds a less negative view in such moves than a decade ago.

The series is mainly drawn from material now being prepared for publication in book form, covering the 1975 and 1978 elections, data/analysis in Rangitikei, Waikato and Waikato in 1978 and 1978 and Haylen Polls and enclaves since 1975.

by Colin James

EVIDENCE is emerging that lends some support to Social Credit leaders' claims that no longer are the people supporting Social Credit as a protest only.

After 25 years as the electoral ragbag, Social Credit seems to be developing a momentum and legitimacy as a political force in its own right.

Surveys in the 1960s indicated that people were much more likely to vote Social Credit for negative than for positive reasons.

For as long as the league stood for monetary reform and not much else that was radically different from the other two main parties, that was to be expected. The number of New Zealanders interested in monetary reform was very small.

Post-election surveys by the Haylen Research Centre in 1975 and 1978 indicated that fewer than 2 per cent of those eligible to vote in three successive elections from 1969 to 1975 and from 1972 to 1978 voted for Social Credit in all three.

And it is doubtful that even all of that 2 per cent voted for Social Credit. But Rangitikei was different from the rest of the country in 1978.

There Social Credit had been well positioned from 1972 onwards. Bruce Beetham picked up nearly one-quarter of the votes in 1972 and between one-third and two-fifths in 1975.

In Marton by 1975 he was a clear leader, with more than half the vote and elsewhere he was a clear second, except for Taihape where all three parties were very close together.

Thus, in Rangitikei by 1978 the voters had got used to having Social Credit around and to voting for it in large numbers.

There may, therefore, be some parallels between Rangitikei at that stage and the country as a whole now as it gets used to Social Credit being around the 30 per cent mark in the polls.

And there, according to a survey of Rangitikei shortly after the 1978 election and only recently analysed, "loyal" Social Credit voters — those who had voted that way at least from 1975 — were more inclined to give positive reasons than negative reasons.

They were understandably particularly negative about the present party system and the performance of the two old parties.

But this was outweighed by positive feelings about the party's "philosophy" and

"policy" (though only 10 per cent specified the monetary policy). They were about average for the sample in their tendency to give positive reasons related to their chosen party's candidate and leader (Beetham).

They were much less likely than average to give passive reasons for choosing Social Credit — such as habit, or following parent's advice.

In contrast with the "loyal" Social Credit voters, converts to Social Credit from other parties were far more positive in their reasons than Social Credit.

Even the converts to National were far more positive than even "loyal" Social Credit voters. And the table shows clearly that National voters were far more positive in their reasons than Social Credit.

Indeed, in giving their "most important" reason for being attracted to Social Credit, those converts from "other" sources were marginally positive on balance.

This suggests that young voters joining Social Credit were more than likely than their elders to see it as a positive act.

If a parallel attitude is developing nationwide now, voting for Social Credit may come to be for a new generation of voters much like voting for one of the two older parties — thus enhancing Social Credit's claims to legitimacy.

Indeed, overall Social Credit voters in the Rangitikei survey were only marginally negative in their choice of the most im-

TABLE: Excess of positive over negative reasons for attraction to chosen party in Rangitikei, 1978.

	Total sample (533)	National (217)	Loyal Social Credit (80)	Converted (215)	Other (41)
All reasons	28.1	104.8	33.3	-55.8	31.7
Most important reason	21.3	63.5	10.0	-8.0	24.4

Up to five reasons were recorded, plus the "most important reason". The table excludes "passive" reasons. A minus sign indicates more negative than positive reasons.

portant reason for their attraction to the league.

But all things are relative. And the table shows clearly that National voters were far more positive in their reasons than Social Credit.

Even the converts to National were far more positive than even "loyal" Social Credit voters. And the table shows clearly that National voters were far more positive in their reasons than Social Credit.

Even the converts to National were far more positive than even "loyal" Social Credit voters. And, though the sub-samples are too small to allow statistically valid conclusions, both Labour and Values voters in the survey were also more positive than those for Social Credit.

The survey suggests, therefore, that, while voting Social Credit in Rangitikei may have been a less negative act than voting Social Credit in the 1960s, it was still much less positive than voting for other parties.

This is most graphically illustrated in the half of recruits to Social Credit who gave "a plague on both your houses" reasons for choosing Social

Credit. Nearly a fifth of them gave that sort of reason as their most important.

Some Labour deserters to Social Credit clearly voted tactically. Seeing Beetham as having more chance of defeating their old enemy, National, than their own party, nearly a quarter of such voters gave "the chance to get National out in Rangitikei" as a reason and about a third of those gave it as the most important reason.

This was compounded by some dissatisfaction with the Labour candidate, Max Hodgson.

In contrast with the concern of some MPs recently about Bill Rowling's leadership, none of the Rangitikei Labour deserters gave that as a reason.

The case with National deserters was exactly the opposite: Les Gardner tended to be a positive attraction (a number of those leaving National said they considered voting for their old party because of him); but Prime Minister Robert Muldoon was a negative influence.

A quarter of those deserting National for Social gave dissatisfaction with or dislike of

Muldoon as a reason for switching and more than a tenth said it was their most important reason.

This tallies with findings in the NBR-Haylen post-election survey in Waikato in 1978 that Muldoon became an election issue harmful to National's vote; and millics also with his sudden popularity drop in the nationwide Haylen Poll taken one week before the 1978 election.

But he should not bear all the blame. Just under a third of all National deserters to Social Credit said they moved "to teach the Government a lesson".

Whether the Government has learnt that lesson — and more particularly whether its figurehead and chief publicist, Muldoon, has learnt the lesson — will clearly be important, and perhaps critical, to countering the Social Credit wave in the north and west of the North Island, where so many National seats are at risk.

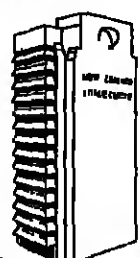
NEXT WEEK: What chance for the old parties to woo back the deserters?

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# Investment giants search for a secure haven

by Peter Montagnon of  
The Financial Times

THE hostage settlement between the United States and Iran involves an unprecedented decision by the Americans to freeze assets held in the United States by the family of the late Shah of Iran. Most of these assets may no longer be in the country. And when the dust has settled, the whole basis of this far-reaching Presidential decision may, in any case, be challenged in the courts.

The action must increase the mistrust of large individual investors who fear they could be next. And bankers suggest that it may lead to a further sharp increase in fiduciary accounts held in Switzerland.

These accounts — traditional bolt holes for "money on the run" — have been growing dramatically for the past two

years. In 1979 they rose 43 per cent to SWFr79 billion (\$43.27 billion) while in the first three quarters of last year a further increase to SwFr112.8 billion was registered.

Fiduciary accounts represent funds placed at an individual's own risk with a Swiss bank which then onlends them in the Euromarkets. They are anonymous and secure from outside intervention.

For Opec countries themselves the main problem in the past year has been finding a home for their increasing wealth. Many banks, especially large American banks, no longer solicit Opec money for fear of bloating their balance sheets.

This would have led Opec countries in any case to try to diversify their deposits to new banks, a development which has almost certainly been accelerated by the assets freeze.

Some bankers believe that mistrust of placing money in the United States may lead to a slower growth in deposits in new offshore banking centres inside the United States than would otherwise have been the case.

The impact, however, is hard to quantify because the offshore banking zones have not yet started up.

A second aspect of the freeze was the souning of relations between American and European banks. This resulted from the way in which Chase Manhattan forced through a decision to call into default a \$500 million loan arranged for Iran in 1977.

Chase interpreted the freeze as meaning that Iran was unable to service the loan because the payments had to pass through itself as agent bank. Non-United States banks participating in the loan,

which included Swiss Bank Corporation, Union Bank of Switzerland and National Westminster, argued that, as they were not affected by the United States freeze, there was no reason to call the loan into default.

These bad relations seem to have been largely patched up since then, but banks have become much more careful about legal documentation of Eurocredit business. Greater attempts are made than before to define clearly in the documentation exactly what are the responsibilities of an agent bank and how far it is empowered to institute a default.

Some bankers suggest that the dispute that arose over the \$500 million credit may have accentuated a trend that emerged last year. International banks have been concentrating more and more

on unpublished bilateral credits, as these obviate any potential disagreements that can develop in a large syndicate.

But once again, this development appears to have had other primary roots. Bilateral credits are cheaper to organise than large-scale syndications and they may cement a bank's relationship with a particular borrower which can also offer other lucrative business.

What the assets freeze might have done, but has not, is define in legal terms who has control over banks operating in the international arena.

Probably its most vexing aspect for the international banking community was the attempt by the United States Government to extend the freeze to branches of American banks abroad. This gave rise to several law suits, notably in Paris and London, with the American banks claiming they were obliged to comply with the freeze and the Iranians asserting a right to the reimbursement of their funds.

Had these suits been settled, a precedent might have been set of far-reaching proportions.

Now, under terms of the agreement signed in Algiers, there seems no need to pursue them, and the opportunity to establish in legal terms who has authority over what is international banking has been lost.

For all its moments of high drama, the assets freeze therefore is unlikely to go down in history as the most profound shock to international banking in the past 10 years. That place is still reserved for the collapse of Germany's Herstatt Bank in 1974.

The Herstatt case was different in several ways. First, it involved actual losses for banks which have apparently been avoided in the case of Iran; second, it was a crisis that struck straight at the core of the system, the complex network of interbank transactions by which money passes along a circuitous route from initial depositor to end-user.

A broken link in the middle of this chain is far more disruptive to confidence than problems at either end of it. These are easier for both the banks and regulatory authorities to handle.

## Businesses plan spending rise

AMERICAN businesses say they plan to increase their expenditures for new plant and equipment by 10.8 per cent in 1981 over last year. That is considerably less than the amount businesses said they planned to spend in an earlier survey.

But businesses still plan to spend more on plant and equipment than they did in 1980.

In 1980, there was an 0.5 per cent decline in inflation-adjusted capital spending as the economy dipped into a recession in the northern spring and spiralling interest rates made borrowing for new equipment unattractive.

Assuming the total of inflation stays the same, plant and equipment expenditures will increase in real terms by 15 per cent in 1981.

Plant and Equipment Spending Expectations, a Government survey taken periodically of a cross-section of businesses, is generally a good indication of what businessmen feel the economic climate will be like.

The battle lines have been firmly drawn for the proposed saw and pulp mill. The Nelson City Council, already worried about declining job opportunities for school-leavers, wants the mill. The Nelson Harbour Board wants it. So does the Nelson Chamber of Commerce and a broad coalition of interests under the banner of the Nelson Public Relations and Regional Development Organisation.

The issue centres not on whether there should be a large mill, but whether it should be sited in Eves Valley.

The Waimea County Council declined to alter its district scheme to accommodate the mill in the valley on the casting vote of chairman Maurice Thorn, a local farmer.

The Waimea Residents' Association is a protest group specially formed to oppose the establishment of a mill in Eves Valley.

The objections centred on whether permission should be given to allow the valley to be used as a site for a timber-processing plant instead of remaining in agriculture for possible future horticultural development.

The valley might have horticultural potential. But of the 320 hectares of valley land acquired by CSR-Baigent, only 3.7 hectares are now being used for horticulture.

The soil throughout the valley is dovetailed gravel, classified as Class 3 on the Ministry of Works Land Resource Inventory. The DSIR Soil Bureau describes the dovetailed as being of "low" fertility.

The debate on the siting of the mill in Eves Valley nevertheless is fundamentally focused on the competing claims of forestry and hor-

ticulture. It is a classic farmer-versus-forestry range war.

Bill Rowling, MP for Tasman, in which Eves Valley lies, at one stage of the controversy associated with the huge export mill with a dog-dosing dispute in 1965. He warned the Waimea County Council that if they approved the Eves Valley location for the mill, there might be a "complete wipeout" of sitting members as happened in the great dog dosing dispute of 15 years ago.

The mill site issue pitted Rowling against Labour backbencher Mel Courtney, who represents Nelson, 20 km further to the north.

Courtney approved of the valley. Rowling, along with other opponents of that side, wants it positioned in Golden Downs.

Baigents and CSR have rejected the Golden Downs site because of substantially higher transport costs and on the grounds that a company town would have to be built kilometres from anywhere. Otherwise the 300 mill workers would have to spend more than two hours a day travelling between the mill and their homes.

"Most of our staff live in Nelson because that is where they want to live," Baigent managing director Brian Wall emphasises.

"We do not want to disrupt the lives of most of our workforce."

Baigent's project team member Graham Wright explains: "It will be extremely difficult to attract the top technical staff we need for a mill such as ours if they are forced to live in a company town."

On environmental grounds, the mill has a clean bill of health. Criticism from Nelson-based environmental activist Guy Salmon significantly has centred on the proposition that the trees should be processed into synthetic fuel rather than pulp.

The mill will be thermo-mechanical. It is not a chemical process mill, like the one at Kinleith.

The timber is ground by giant rotary discs till it reaches pulp consistency.

The water issue is more sensitive. The mill will draw water pumped from the Waikato River. At this stage, no dam is planned.

The mill will take about one half of one percent of the river's average flow. With its own reservoirs, the mill will be built complete with 60 to 80 days' buffer water supply to make it self-contained during a drought period.

The mill will be complete with its own treatment plant and the scheme envisages a pipeline leading to the sea which farmers and horticulturalists can tap into.

Both the right to take water and the re-use of waste mill water for irrigation were unanimously approved last November by a special tribunal which, ironically, included Nelson Labour candidate Philip Woolaston.

CSR-Baigent's chose the Eves Valley site in late 1979. It owned no land in the valley and later bought 320 hectares from 12 landowners.

In spite of Baigent's earlier

# Planning decision will determine sawmill's future

FOR the second time in six years, a planning decision is likely to determine if Nelson's integrated export saw timber and pulpmill will become a reality or remain a dream.

On this second occasion, an adverse Planning Tribunal decision almost certainly would kill the South Island's biggest forestry project.

The Planning Tribunal will consider next month whether it should uphold the Waimea County Council decision to decline permission for CSR Baigent Forest Industries to build its sawmill and pulpmill in Eves Valley, just outside Nelson.

The project will cost slightly more than \$100 million. It will require CSR's buying 70 per cent of the 135-year-old Nelson firm H Baigent and Sons Ltd, which owns the largest private exotic timber plantation in Australasia.

In the early 1970s, H Baigent and Sons planned to go it alone with a similar saw and pulpmill in nearby Spring Grove. Planning obstacles over a five-year period thwarted the scheme.

Baigents was the first private firm to become involved in the environmental impact and audit procedure. In the end, Parliament passed special legislation to enable the necessary water rights to be granted to the proposed mill.

"This can be seen as our last chance to process our own wood under our own roof," noted Baigent deputy chairman Harry Baigent.

The battle lines have been firmly drawn for the proposed saw and pulpmill. The Nelson City Council, already worried about declining job opportunities for school-leavers, wants the mill. The Nelson Harbour Board wants it. So does the Nelson Chamber of Commerce and a broad coalition of interests under the banner of the Nelson Public Relations and Regional Development Organisation.

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disappointment with attenuated planning procedures, both Baigent and CSR management opted for "slow" track planning approval and "community involvement", even though the regional importance of the ex-



Bill Rowling... pitted against Mel Courtney

disappointment with attenuated planning procedures, both Baigent and CSR management opted for "slow" track planning approval and "community involvement", even though the regional importance of the ex-

port mill might have allowed them to have fast-track procedures invoked.

This almost certainly would have saved a lot of time and the substantial sum spent on planning and procedural costs.

Some resentment against the mill stems from the participation of the Australian conglomerate, CSR.

Brian Wall explains that with inflation doubling and then tripling costs from the date of the first feasibility report in 1973, "we had no option other than to find a very substantial partner."

Behind the CSR-Baigent decision to choose Eves Valley is the imperative desire to save on handling costs by streamlining the netire production in one direction from the forests through the Eves Valley mill to the nearby port of Nelson. This simple one-directional flow,

team project member Graham Wright notes, will eliminate the huge transport costs of handling the timber back and forth in a more remote location like Golden Downs.

The March 9 Planning Tribunal date has put CSR-Baigent in an awkward position because a vital Forest Service wood tender comes up between then and now. Forty per cent of the timber for the project will come from the Forest Service, the rest from Baigent's own plantations.

Although the project is generally labelled a pulpmill, it incorporates a huge sawmilling capacity. Baigent has to secure the best wood possible.

"Sawmilling is such an established tradition in Wellington that I think there has been an unconscious tendency for everyone to concentrate on the pulp aspect just because it is a

new concept for this region," Wall observes. Meanwhile the planning logjam is worrying the business community.

The Nelson Master Builders' Association has estimated that if the new saw and pulpmill is not built, there will be a long-term drift away from the district of perhaps 9000 people looking for work elsewhere.

What many observers have failed to appreciate, Wall insists, is that CSR is technically undertaking a feasibility study. It still must decide whether the project, considered from all viewpoints, is worth putting to the Government for its final blessing.

A decision to call it a day and not proceed will leave the question: who was the biggest loser? The Nelson community, CSR, or the Government and its taxpayers?

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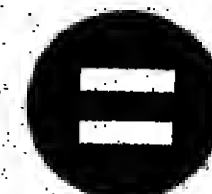
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## Secrecy

## Legislating access for the public's right to know

by Warren Berryman

PRESSURE to have public access to official information legally guaranteed has been rapidly growing in the democratic world.

Politicians and political activists have joined with civil libertarians, environmentalists, consumer advocates and jurists and others to demand the public's right to know what their governments are doing and why.

Sweden has had a freedom of information law since 1776. Other countries with public access laws are Finland (1951), the United States (1966), Denmark (1970), Norway (1970), France (1978), the Netherlands (1978), and the Canadian provinces of Nova Scotia (1977) and New Brunswick (1980).

Canada is moving towards passing a freedom of information act modelled largely on the American one. Australia and Britain are considering public access legislation.

The basic principles behind any freedom of information legislation are simple.

Information about government's activities and details gathered by government are the property of the people unless government can provide sound, strictly defined reasons for withholding it.

The taxpayer has a right to government research because he paid for it.

The democratic voter has a right to know what his government is doing and why, because otherwise he cannot be expected to cast an informed intelligent vote - which in turn would be reflected in the quality of the government he elects.

The legislature has a right to information, without which it

THIS is part of a series in which Warren Berryman considers the American Freedom of Information and Privacy Acts in theory and in practice and compares the United States system with our own.

cannot effectively pay the role of watchdog over the executive.

If access to information is to be the public's right, there must be an independent authority - the courts, Ombudsman or special appeal authority - to which the public can appeal when denied information.

Sunlight, they say, is the best disinfectant. Open courtrooms provide public reassurance that justice indeed has been done. Open governments put conspiracy theories and scepticism to flight and reaffirm the people's faith in democracy.

In general, government administration should be open to

public scrutiny, with secrecy being the exception.

Opposing the principles of freedom of information and open government is the principle of discretionary secrecy under which public officials arbitrarily grant or withhold information for their own convenience or to please their superiors.

New Zealand remains unwaveringly true to the principles of discretionary secrecy. Censor is the exception rather than the rule.

Advocates of open government tend to look to the American freedom of information and privacy acts for example. This raises the prime ques-



Bill Sulch... he was no political neuter

tion: can a freedom of information and privacy act, born of American historical circumstance, successfully be adopted by New Zealand - or by any Westminster-style parliamentary system?

Under the Westminster concept of ministerial responsibility, the civil servant playing the role of anonymous political enforcer supposedly serves each minister in turn equally with silent, loyal obedience. The minister is responsible for all statements, carries the can for all mistakes, and takes the credit for all successes.

It has been argued that if the civil servant were allowed to speak out himself, his opinions might differ from the minister's, or he might take to himself credit or blame owing to the minister - and the whole concept of ministerial responsibility would break down.

Theory has it that elected governments make policies, not departments, which only advise ministers and execute those policies. So, the critics ask, what kind of mutual trust could exist between minister and department if various opinions and facts in policy were aired by departmental officers?

That ministers make policy is largely a myth. They are usually guided, if not actually carried, by powerful bureaucrats who have far more information, closer contacts, and longer experience in policymaking than most ministers have.

The civil servant as unassuming, loyal political enforcer is also a mythical creature. Consider the powerful *soit-disant* "Sutch Club".

The politics of this group of senior civil servants was well known. The business community is well aware of which civil servants favour commercial concepts and to which the concept of profit is anathema and makes it approaches accordingly.

The growing public of bureaucrats might be if the bureaucrats had the opportunity to make it known their decisions were well thought out, and honest.

When it comes to delegated legislation, non-elected bureaucrats can and do favour a wipe out whole economic sectors without the matter being one word of debate in parliament.

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It has been argued that civil servants will curb their candour, pull their punches, in giving government advice, if they know their advice might become public property.

It might also be argued the advice granted on the understanding that the adviser may never be held to account for the value or truth of that advice is not worth the minister's ear.

The American Government acknowledges that, since the introduction of the Freedom of Information Act, civil servants have become more thoughtful about their decisions, explored options more rigorously, and given more detailed reasons for their decisions on the basis of their deliberative process could become public knowledge.

Open government would also favour the vast majority of civil servants who would prefer to make honest, rational decisions free from government lobby group pressure. The minister X wanted an opinion licence approved for company Y because company Y gave \$600,000 to the party, or the company Z should give protection from imports (despite the cost to the consumer) because it was located in a marginal seat, are not the same considerations likely to be included in a report that might eventually reach the public.

It might also be asked why New Zealand civil servants should be free from accountability to their tax-paying employers.

They regularly make decisions affecting millions of dollars of investment, jobs, and personal livelihoods. Without recourse to minister or parliament, they hand out millions of dollars in government favours in the form of import licences, subsidies, licences to operate businesses virtually free from competition, protection from domestic and foreign competitors, and without these favours from others.

Their decisions, the reasons for the decisions, are all secret, as are the mechanics of such decision-making, the lobbying, the expense-account lunches and holiday houses provided for co-operative civil servants, the political coercion, and the plumb jobs awaiting the right sorts of fellows on retirement from government.

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## Government administration

## Consultancy links government and private sector

by Ann Taylor

AFTER the Christmas close-down, Wellington was quiet, save for talk of birching and the road toll.

But Cabinet was back on the job early. Energy Minister Bill Birch announced a review of the Mining Act 1971, and Labour Minister Jim Bolger commissioned a booklet on the changing conditions of employment.

Both turned to Link Consultants to do the spade work. "Policy consultants", "systems brokers", "problem solvers" - whatever the description, Link Consultants has won several big, controversial research contracts from the government sector and private companies.

Link was formed in November 1978 by:

- John Hill, former deputy secretary to the Cabinet and assistant Commissioner for the Environment; and

- Jack Lee, a Rhodes Scholar before he took up special duties, planning and research at the Commission for the Environment.

They identified a need for the commission's role in assessing public opinion on environmental matters to be extended to other fields.

They thought that need could be met most effectively outside the Government and left the commission to set up Link Consultants.

"It was a guess, but we certainly thought it was a good idea," says Hill.

"We went through a long and sometimes lean period to establish ourselves. In a sense we are still breaking through, but we are certainly more established than we were a year ago."

"We had to create the product and then create it in the clients' minds," says Lee.

The product is multifarious. Among its early projects, Link:

- Analysed the public response to *Goals and Guidelines* for the Ministry of Transport;
- Assembled and produced *Energy Strategy '79* for the Ministry of Energy;
- Analysed the submissions made on the Johnson Report for the Department of Education;

and concern benefited from independent assessment.

But consultants working on government projects are required to sign the Official Secrets Act and are bound by the customer/client ethic of discretion and the "independent assessment" may never come to the public eye.

Both directors are aware of the situation and Lee says: "If you are at the public interface, you should in fact try to meet people with as much information as possible."

And Hill: "Ultimately they are government decisions, and any work or research we do can only be one input, one part of the process."

Lee again: "If we stand for anything, we stand for process, not product. If we can improve process, then we can improve product."

But he acknowledges that what Link might hope to see implemented as a result of its research findings is not always politically expedient.

Methods of research vary for different jobs. They usually begin with direct discussion

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• Reviewed the legal aid system administered by the Justice Department.

One of Link's clients is the Ministry of Works and Development. The consultancy is preparing an environmental impact report and planning application for the Luggate and Queensbury power stations in the Upper Clutha development.

In the area of "streamlining regulatory impact", the consultancy is looking at the institutional impediments to the establishment of CNG stations in the North Island and regulatory impediments to the Energy Ministry oil substitution policy.

Environmental studies have been predominant, but Link has done work in the telecommunications area and investigated the private surveyor profession in the light of economic developments.

Link has a multi-disciplinary team of 12 specialists, including two former Californian corporate lawyers. Its services include public policy review, analysis of legislation, market research, design of government relations programmes, counselling on procedures and tactics, project feasibility and development studies.

Apart from work for government departments, the consultancy helps the private sector to play in which with government activities, and to enhance corporate participation in the community.

Lee acknowledges that, from the outside, it may appear that Link is being politically patronised. But both directors maintain that the consultancy gives an independent view, whatever the client.

"We advise on the basis of everything we've done... we will not become advocates, and we value our independence. It's the only way to operate, otherwise we lose our credibility across the board," Lee said.

Link's "independence and lack of bureaucratic structure can be more immediate and sensitive to the general public", he said.

"Getting out of government has given us a different vantage point. We are not encumbered by procedures which many of-

ficials are, whether they like it or not."

"Our clients have been appreciative of the different perspectives we have been able to give."

Of the review of the Mining Act, Lee says: "An independent review gives the Government departments a mass of information that they would not otherwise have. Legislative review is too often dealt with by advocacy rather than discussion."

"It's a highly accessible political system. I don't think there is any mileage in playing lobbyists."

He describes the company's operation, among other things, as "systems brokers".

"We're linking people into each other - to the stage where they are seeing each other as people rather than as labels."

Co-ordination and management of joint-consulting project teams is one of Link's roles.

Consultancies tend to "muck in and share resources and material", says Lee; he cites the social impact report on the

Upper Clutha River development which Link is doing with the Cawthron Institute.

The company acts as a resource group for some clients, telling them where or who to go to within organisations and how to find their way through different bureaucracies.

Lee says there is a tendency in the private sector to stick with the political wings of the Government rather than the officials.

The FOL has objected to Labour Minister Jim Bolger's use of Link, instead of the Labour Department, to prepare a report on employment.

"The FOL statement expressed 'serious misgivings' about the use of Link and called commissioning of the report a 'whitewash'."

"For political purposes the Government wants to portray the dismal situation in a better light than was justified by the facts," the statement said.

Hill's reply to the FOL allegations was that Link had carried out several projects where issues of public interest

and concern benefited from independent assessment.

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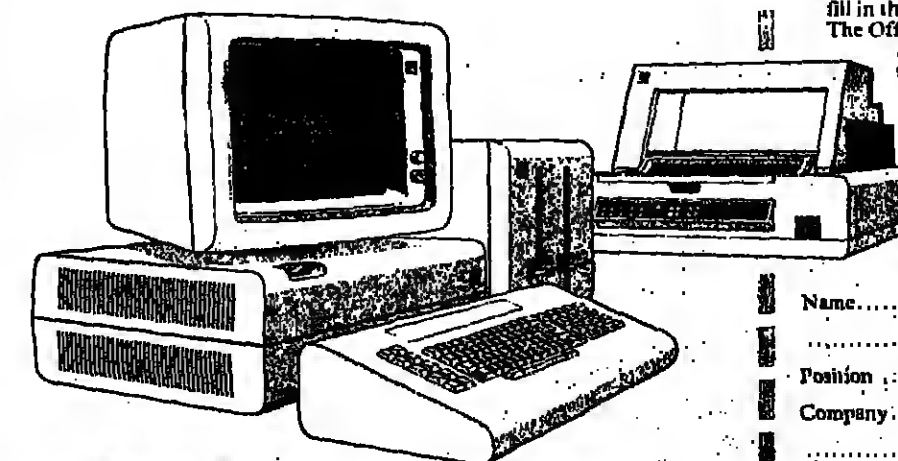
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# Paua prices and stockpiles mounting as jewellers

Continued from Page 1

cottage industry. The largest manufacturer, Ariki Industries Ltd, is owned by the multinational Reekitt and Colman organisation.

Gross turnover for the paua shell jewellery and souvenir industry has been estimated at \$5 million a year, 70 per cent of it sold on the local market (mostly to foreign tourists) and 30 per cent exported.

Cabinet is expected to decide on the export ban.

The prospect of the ban's lifting has already obliged jewellery manufacturers to negotiate with the divers, now united under the wing of the Fishing Industry Board.

The jewellery manufacturers want to buy all the shell produced in this country at a price to be negotiated with the divers in return for an assurance that the divers won't export their shell.

Price is the major question. Jewellery manufacturers have been buying shell for as little as \$50 a tonne. The divers apparently are willing to compromise at \$1000 a tonne (half the lowest export price).

Divers are cautious about the jewellers' overture. They fear that if they forego the opportunity of having the export ban lifted, the jewellers would have them over a barrel and force the price down.

Jewellers are considering a proposed commitment to take all the surplus shell available. Either they buy the shell to keep it off the market, or they invest heavily in new plant to make use of it. In either case they want assurances from the divers and/or the Government that their investment will be protected.

The Fishing Industry Board has arranged at least two meetings between jewellers and



Jewellery... manufacturers lobby for continuation of ban

divers. No deal has been struck. But panic buying and stockpiling by jewellery manufacturers has driven shell prices up dramatically since the abolition of the export ban became a possibility.

Good-quality thick shell

Some divers are stock-piling

shell in anticipation of higher prices.

The divers and Fishing Industry Board are considering a centralised export marketing body to control shell exports if the ban is lifted.

No decision has been reached. But Nelson diver Alan Pritchard has been mooted as the man to head it.

Pritchard, a former Sealor's employee, runs NZ Far East Purchasing and Marketing. He has both the diving experience and export contacts.

Paua shell jewellery manufacturers and the Jewellers' Association have combined negotiation with the divers with intensive lobbying of MPs and the press, hoping to keep the export ban.

They argue that our paua shell, with its bright colours, is quite different from the pale pastel shades of American or Australian abalone shell.

The jewellers argue that export of paua shell by the tonne would cheapen the product in the same way that massive exports of South Africa's diamonds would lower the diamond price. It would also destroy this country's monopoly control over a unique product.

If exports to cheap-labour countries were allowed, paua shell jewellery could be produced at lower prices and destroy the local industry, they claim.

Paua jewellery manufacturers have been arguing among themselves over the export of paua shell cabochons (cut and polished pieces of shell).

The Jewellers' Association

voted in October for an export ban on those "semi-processed cabochons" so that further processing could be done in this country.

The Jewellers' Association maintains there are between 400 and 450 people employed in the paua shell industry, 60 per cent of whom would lose their jobs if the export ban on raw shell were removed.

Prospective overseas buyers looked at by Trade and Industry included Korean furniture manufacturers wanting paua shell for tabletop mosaics, Japanese guitar makers who plan to inlay their instruments with paua shell, and a Singapore buyer who wants a mosaic a whole wall with paua shell.

Potential foreign buyers who are willing to pay from \$2000 to \$5000 a tonne for paua shell, did not appear anxious to use the high-priced product.

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The Jewellers' Association

# anticipate lifting of the ban on exports

used by local jewellery manufacturers. The rest was being stockpiled or dumped.

Paua divers estimate shell production at 400 tonnes a year, 75 per cent of which is now stockpiled or dumped.

The high-quality thick shell was the first to sell. This thicker shell is easier to grind down to gem stone quality than the thin shell.

But new concepts and processes have created a market for low-quality thin shell.

Trade and Industry's attitude has been that either the local manufacturers use the shell and pay a reasonable price for it, or export the surplus.

Increased export earnings would be money for jam; we would be selling shell, for good prices, that we would otherwise have to pay to dump.

The extent of the surplus shell is anyone's guess. In the past, processing companies dealing in paua with low-quality shell bought their pauas in the shell, shucked them, tinned the meat, turned the gus into abalone soup, and either dumped or stockpiled the shell.

Both the prospect of shell export and increased local use of low-quality shell have created new interest in these stockpiles, which may total thousands of tonnes.

Prepared Foods, of Palmerston North, recently dumped some 300 tonnes of shell. Since then it has sold 250 to 300 tonnes of shell for from \$50 to \$100 a tonne to Paua Eyes and Souvenir Supplies, an Auckland company specialising in paua shell eyes for tikis.

Paua Eyes managing director Reg Carl said he and his staff had more work than they could handle and a paua stockpile that would last them 10 years.

All the pauas caught in the Chatham Islands are shucked there and the shell is dumped or stockpiled on the islands. At prevailing low shell prices, it is not worth exporting.

But shell exports would be viable, even at \$2000 a tonne for low-quality shell.

Apart from stockpiles at processing factories, there are piles of shell from 50 to several hundred tonnes each on remote beaches where "paua pirates" did their illegal shucking. These are free for the taking by anyone with a big boat or four-wheel drive truck.

Higher shell prices would radically alter the economics of paua diving. A good diver

should land about half a tonne of paua in the shell a day in ideal weather conditions.

Stewart Island paua in the shell is sold by the diver for 86 cents a kilogram. One third of the paua's weight is shell, which is returned to the diver. An average paua in the shell weighs about 450 grams.

Assuming an export price of \$5000 per tonne for shell, the diver could expect to receive \$860 for the paua meat and gus, and \$825 more for the shell on a half-tonne day.

The half-tonne day is an ideal. The best paua beds are usually on the most exposed rocky coasts and can be dived only infrequently.

But the divers are aware that higher prices could bring in a host of hungry newcomers. They fear over-exploitation of the paua beds and a repetition of the 1969-72 "paua war" if strict controls are not applied.

Under the rules now in force, the beds are unlikely to be wiped out beyond the point of regeneration. By law, pauas may be taken only by free diving (scuba breathing gear is not allowed).

A good free diver can reach depths of 20 metres or more, but the cut-off depth for commercial paua diving is usually about six metres.

Paua inhabit waters ranging in depth from less than one metre deep at low tide to 20 metres.

After the 1969-72 paua war, Wellington paua beds were severely depleted. The Government closed the area to commercial diving.

Marine scientists from the Ministry of Agriculture and Fisheries have been surveying these and other beds.

After an eight-year rest, the Wellington area is so thick with paua that culling may be needed to give pauas more food and living space and improve their growth rate. The ministry is considering reopening the area.

Marine scientists are also working on paua breeding and reseedling, to introduce pauas into new areas.

Divers have usually fared badly at the hands of the Government and organised pressure groups.

The paua diving industry had its heyday in the late 1960s and early 1970s. Good divers were landing half a tonne of paua a day and selling their catch for 5c a kg to Prepared Foods of Palmerston North.



Pauas... 75 per cent currently dumped or stockpiled

Australian abalone divers were getting about 10 times that price for their catch. But local divers had little option but to go to the company for big bulk sales.

Prepared Foods, then owned by Labour politician Joe

Walding, had a virtual monopoly on paua exports.

The company developed a bleaching process to turn our black pauas into something resembling the pink abalone found in Australia and the United States. The law basi-

cally said that only processed pink pauas could be exported. Several attempts were made to break Prepared Foods' grip on the paua export market and give the divers a better price.

Companies in which divers had an interest developed such schemes as freeze-dried pauas for soup, tinned paua, and paua pate and found export markets for those products. But the Government would not allow them to compete.

Even at 5c a kg the divers were making up to \$100 a day - a good wage back in the 1970s.

The lure of the money and a job with no boss, where self-reliance and physical endurance were prerequisites, brought many new divers into the game.

Old-time divers regarded "their paua beds" as a gold mine regards his claim. They didn't take kindly to the newcomers jumping their claims as

soon as they pulled up anchor. The paua war was fought with fists, with Landrover tyre piercing, spikes mining the beach tracks, and boat and truck engines sabotaged with sugar in the petrol and Brasso in the oil.

Much of Prepared Foods' paua came from the Wellington coast, an ideal diving area with both a north and south coast, and two lee shores close to the city to choose from, depending on the wind.

The Government closed the area to commercial diving. The paua war came to a close with many new divers deep in debt to finance companies for new boats and motors they could no longer use.

In this new fight the divers are much better organised. The Fishing Industry Board has at long last come to recognise divers as an important part of the fishing industry.

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**Mr. A. L. Walker, Accountant,**  
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## Commodities

### Experts optimistic

DESPITE an expected overall decline in OPEC production this year, American energy experts foresee an serious oil shortage.

Government and oil industry officials, in testimony before the Senate Energy Committee, attributed their favourable outlook to:

- The unprecedented build-up in world oil stocks, which was triggered partly by substantially greater reductions in oil demand among the industrial nations in 1980 than was anticipated;

- A gradual resumption of oil exports by the war-torn nations of Iraq and Iran;

- Projected increases in non-OPEC production levels.

Dr James S. Moore, deputy assistant secretary of energy for international analysis, told the committee the 1981 market outlook was likely to be determined largely by the volume of oil exports from three countries: Iran, Iraq and Saudi Arabia.

Iraqi exports through its

pipeline in Turkey are not reported to be around 500,000 to 400,000 barrels a day, he said while Iran is exporting between 700,00 and 1 million barrels a day from its Persian gulf terminals.

"Throughout 1981, we expect that exports of Iraqi and Iranian oil will continue to increase," Moore said.

"This in turn assumes that the Iran-Iraq war either terminates late this spring or at least the two countries cease bombing each other's facilities."

Saudi production, on the other hand, can be expected to rise. American production probably will drop slightly.

The net result, Moore said, was that free-world production would decline by about 1.5 million barrels a day in 1981 to a total of 48.3 million barrels a day.

Free-world oil demand is expected to decline by a further 700,000 barrels a day in 1981 after dropping 2.5 million barrels a day in 1980 to 49.6 million barrels a day.

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Special feature

# Tax revolt: people protest when the gap between

by Colin James  
TAXES are important to politicians. It is from the proceeds of taxes that politicians have made themselves popular with this or that group of constituents. In short, money is power.

Sadly for the politicians, the money has to come from somewhere. And as the largesse has grown, so has the pool of those who think they do not get value for money.

It is easy to sympathise with a group of 150 rural ratepayers around the Wellington suburb of Wainuiomata who last year got together to fight their rates.

Why, they have asked, should they pay for rubbish collections that don't come and street lights they don't have? Why should they pay half as much again as their rural neighbours attached to Upper Hut City?

The Wainuiomata farmers are demonstrating an axiom of tax revolt: that revolts occur when the gap between what is given and what is received grows too wide. When this is

the case for enough people, the politicians may find their source abruptly curtailed.

Perhaps nowhere has this been better demonstrated than in the United States. In Massachusetts on November 4, for example, while citizens were doing their bit to elect Ronald Reagan, they were also voting heavily to cut property taxes (what we know as rates).

Proposition 2½, as the measure has become known, limits total property taxes to 2.5 per cent of the assessed value of the total property in a local authority area.

If the current rate is higher than that, the local authority has to reduce it by at least 15 per cent a year until it reaches 2.5 per cent. If the rate in 1979 was lower than 2.5 per cent, taxes are limited to that rate.

There is an escape clause: a higher rate can be struck if a two-thirds vote is obtained for it. But that loophole is itself limited by a ceiling on annual local spending rises of 4 per cent.

The property tax before proposition 2½ has varied from

locality to locality, ranging up to more than 5 per cent in some — that is \$2500 on a \$50,000 house.

Overall, according to Warren Brookes, a Boston *Globe Economics* columnist, the property tax in Massachusetts is around 3.4 per cent — far above the nationwide average of 1.9 per cent.

Proposition 2½ also introduced other cuts: in motor vehicle excise tax from \$66 per \$100 value to \$25; and in state income tax by the amount tenants would have paid on income equal to half their rent.

At first glance, the vote — by 3 to 2 — looks like a selfish gesture by the affluent at the expense of the less-well-off. Localities with a high proportion of people on low incomes, and therefore a high need for social services, will be worst affected.

Yet by and large those localities voted for proposition 2½. Enthusiasm tended to be lower in better-off areas.

Surely you would expect areas most dependent on services provided by tax money to

be keenest to keep them. How come the paradox?

The answer is that the localities themselves pay most of the cost of the services. And around 70 per cent of their revenue has come from property tax.

Affluent areas, where property values (and incomes) are high, can pay for the services with a relatively low tax rate, in terms both of property values and income.

Poor areas, like Chelsea in suburban Boston, where the average assessed house value is said by mayor Joel Pressman to be about \$20,000, can finance the services only by high tax rates — both in terms of the property values and incomes.

As demand for services has grown — and as federal and state "mandates" have imposed services, seldom with the financing to go with them — towns such as Chelsea have found it increasingly difficult to pay for them.

(It is notable that proposition 2½ bans further state "mandates" unless they are also state-funded.)

Schools have been a particular problem, as school authorities have had complete freedom to set budgets which the local authorities have had to pay for. Proposition 2½ puts a stop to that.

There is a simple answer: restrict locally-financed services to those related to property and shift the burden of paying for the social services to the state, thus equalising the burden among localities.

Demand for such a tax reform is at least partly behind proposition 2½'s success. According to one count, something like 130 attempts to reform the tax system in the state legislature have failed over the past few decades. Pressman supported 2½ as a desperate device to knock sense into state legislators.

To ram that point home in the days after proposition 2½'s passing, local administrators were proposing politically sensitive cuts, such as:

- Cancellation of plans to fill 64 vacancies in police and fire departments in Springfield;
- Removal of \$156,000 in "educational incentive pay" awarded 25 police officers shortly before the election in Holyoke;
- Cancellation of a performance by the Boston Shakespeare Company at a junior high school in Wilmington;
- Imposition of hiring freezes in eight cities.

6-million-population state warned of dramatic and drastic cuts unless the state intervened. To cite Chelsea again, Pressman estimated his city would lose three-quarters of its property tax revenue, with disastrous results.

But there is no certainty the state legislature will act. Governor Edward King, who though a Democrat is a fiscal conservative who would make Derek Quigley seem like Santa Claus, took the line that the people had spoken "and proposition 2½ has earned and deserves every opportunity to be implemented and truly tested on its merits."

The state House of Representatives taxation committee chairman, Gerald Cohen, added: "I think the Legislature politically has to let it sit for a while."

This was the expectation of the Citizens for Limited Taxation, a small, Republican-leaning group which led the fight for proposition 2½.

Its executive director, Barbara Anderson, said: "I've never known what the Legislature is going to do, but my guess is it will not try to make any substantial changes."

The business-backed Massachusetts Taxpayers Foundation, which opposed 2½ as too simplistic, took a different view, arguing immediately for a compromise and announcing plans to meet interested groups and hammer one out.

Kennedy Shaw, president of

Special feature

# what is given and what is received grows too much

the Municipal Association, said his association would push for a bill to raise replacement revenues. "There's no free lunch," he said.

But there's part of the rub. There is a belief in some sections of American society that there is a free lunch to be had.

They have been encouraged by 38-year-old Los Angeles economist Arthur Laffer to believe that cutting taxes would actually increase revenue.

Laffer invented the Laffer curve (see diagram Page 31) which postulates an optimum point for tax rates above and below which the tax take drops.

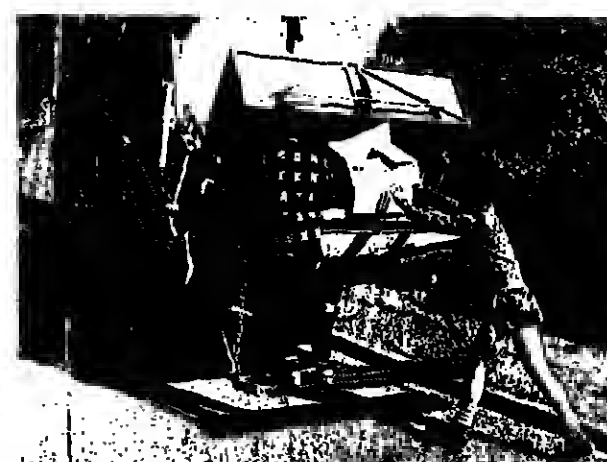
In the latter case, this is for the obvious reason that a higher rate would take in extra income, but in the former it is because too high a tax rate reduces productivity.

Though discovering where the optimum rate lies is no easy matter, belief that the current overall tax rate lies above the optimum rate is strong among an increasing number of influential Americans.

It is Laffer's theory that has provided the intellectual underpinning for Ronald Reagan's proposal — devised initially by a Laffer disciple, federal Representative Jack Kemp of New York — to cut taxes by 30 per cent in the belief that it will both increase total production (and thus reduce unemployment) and still provide adequate federal revenue.

Laffer's theory was cited by Warren Brookes in support of tax cuts like proposition 2½. About a year ago, Brookes wrote that in the first five months of 1979, that is, after proposition 13 came into effect in California, Californians' income advantage over the rest of the country widened from 23 per cent to 45 per cent, the unemployment rate came down 1 per cent and the inflation rate fell 1 per cent below the national average.

But Robert Kuttner, author of *The Revolt of the Haves*, a newly published book on the American tax revolt, argues exactly the opposite — that jobs increased in the private sector by a smaller number in the 12



It's a rubbish... paying for what you don't want not to be taken away.

months after the passing of proposition 13 than in the 12 months before it — 462,000 compared with 634,000.

Whether Kuttner or Brookes is right is beyond the scope of this article. But if we discard economic theory and replace it with political considerations, it is clear that there is a political point up to which the public is prepared to accept higher taxes, but beyond which it balks.

Put another way, there appears to be a tradeoff between the desire for government services (or tolerance of government services to others) and resistance to paying taxes.

When taxes are felt to be too high by enough of the population, it is prepared to take the risk of losing services.

At this point a rationalising belief comes into play: that there is too much "fat" in the government. This belief is probably fuelled by survey findings of increasing distrust of big organisations, including government, in the United States — and the bigger and more remote the government, the greater the level of distrust.

Kuttner's detailed study of proposition 13 and its aftermath reports opinion poll findings that even as a majority was voting for tax cuts, a majority also continued to believe that — with the single exception of social welfare — the services the taxes paid for were necessary.

These apparently conflicting viewpoints were resolved by a majority belief that the local and state governments

day found a majority who believed state and local government could provide the same level of services with 10 per cent less money and nearly half thought it could be done with 20 per cent less money.

In fact, though local government spending in California rose by slightly more than the inflation rate between 1974 and 1977, there was less than the growth in personal income and less than the average growth in assessed valuation of property.

Public service salaries grew by less than inflation and less than private sector incomes.

In a sense, however, the popular belief about waste was right. Taxpayers paying more taxes were not getting appreciably more visible return.

Instead, inflation and boom conditions had combined in the mid-1970s to pile up a huge surplus in the state coffers —

\$3.8 billion by the end of 1978, compared with a budget that year of \$11.8 billion — and surpluses of varying sizes in city coffers.

These surpluses were estimated by state treasury finance research director Lonnie Mathis in an interview to have been about the same in total as the state surplus.

The reasons were simple: rates of tax on income and property had not been reduced to take account of rises in incomes and property values.

So, while personal income went up to 50 per cent between 1973 and 1977, tax on that income went up 150 per cent. Boom conditions pushed up the take from sales tax by 188 per cent. Thus the state surplus.

And average house prices rose 120 per cent between 1974 and 1978, producing an overall property tax take rise of 110 per

cent. Often the periodic reassessment of property values would double the tax on individual paid for no visible improvement in services.

To make matters worse for the homeowner, different methods of assessing business property values was shifting the burden from business to individuals, so adding to their impression that they were not getting value for money.

This impression reached progressively down the income structure, so that, whereas earlier attempts to push through referendums to cut taxes had been shrugged off, by 1978 an increasing number of ordinary wage-earners were susceptible to persuasion (by, among others, big corporation executives) that their taxes were too high and that "wasteful" government could

Continued on Page 30.

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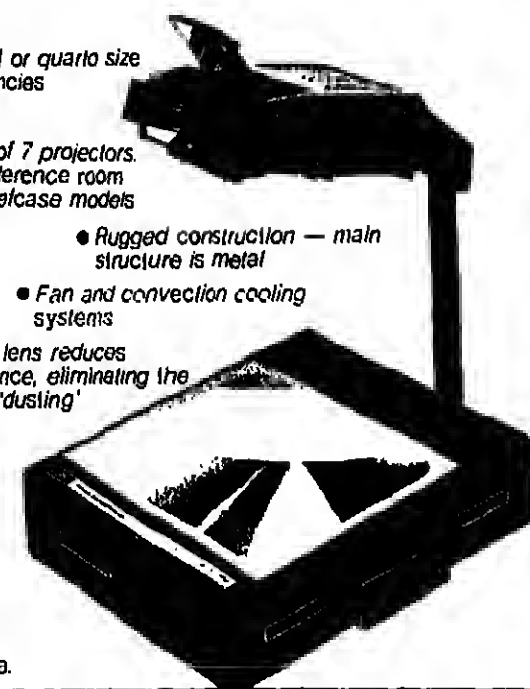
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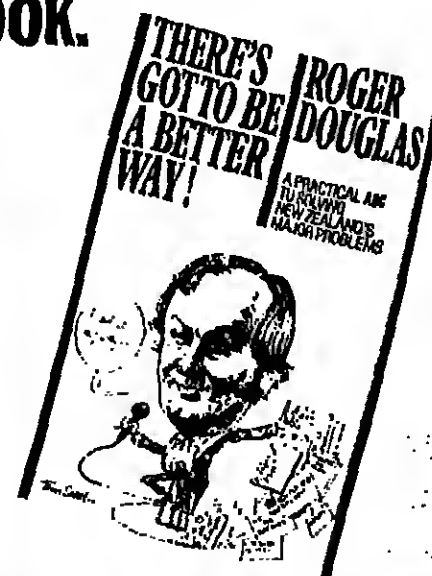
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From Page 29.

be forced to provide services more efficiently with less money.

In a sense this belief that services would not be cut was also justified.

The immediate reaction in California to proposition 13's savage cuts in property rates to 1 per cent of 1975-76 values was to use state funds to subsidise local authorities, who had hitherto depended on the tax for about one-third of their income.

An estimated \$7 billion — one-fifth of their income — was lost to local authorities as a result of the cut.

Some \$4.4 billion of that, according to Mathis, was made up from state subsidies — drawn \$1.1 billion from the accumulated surplus, a bit over \$2 billion from the current year's surplus revenue and the rest from an assortment of state savings from lower property tax paid to local authorities and property tax relief paid to in-

dividuals, and state austerity measures such as hiring and pay freezes, coupled with an income tax windfall from smaller exemption claims for property tax.

Where they existed, local authority surpluses helped ease the pain.

There were, nevertheless, cuts in services: in the closure of some outlying hospitals, the elimination of free summer and night schools, reduced library services, greater resort to charging fees for parks and other recreational activities.

There was also some attrition of public employees. Exactly how much is the subject of a study by the Rand Corporation expected to be published in March or April next year. The state Employment Development Department estimated that in the first 12 months the total public payroll in the state dropped by 103,000 — not a huge figure in a population close to Britain's.

An important effect of the tax cut was to shift funding from local government to the



California... choosing between tax and services

state, particularly in medical aid, which was taken over entirely by the state, and education, where the state share went up from 50 to 70 per cent, with, as a result of the *Serrano v Priest* court decision, some equalisation of spending between rich and poor areas.

However, a crunch looms. By the end of this financial year — June 1981, the state surplus will have run out and, thanks to

a reform tying income tax rates to inflation, no current surplus. For the 1981-82 year, Californians will have to choose between taxes and services.

They have given some indication of how they will choose. A proposition to halve state income tax was roundly defeated in June.

That suggests likely defeat for any attempt to find a loophole in proposition 13

which taxes resale or new houses at market value (instead of 1975-76 values plus 2 per cent a year) and thus is raising assessable values for those houses and narrowing the revenue gap.

The point about all this, Kuttner argues, is that tax revolt is not an absolute. Tax-cutting referendums succeed only when special conditions apply.

Through from 1970 to 1978 20 states passed some limitation on spending or revenue gathering, only two of these were of the proposition 13 type. Most were "caps" on spending, sometimes tying it to growth of the state economy or personal incomes.

Since 1978 much the same pattern has held. In the November 1980, round, only Massachusetts voted for a cut and in eight states all tax-cut or spending-limit proposals lost, including five proposition 13 look-alikes. Spending limits passed in four states.

Massachusetts is therefore to be seen as an exception due to special circumstances, rather than the rule.

As in California, Massachusetts property taxes have been oppressive, especially to people of modest means. There has been a substantial shift of the burden from businesses to individuals (business opposed 2/3). Blockage at the state level made it impossible to spread the incidence of tax to reduce property tax rates.

In addition, voters in Massachusetts had been led to believe they were highly taxed — hence the state's nickname of "Taxachusetts".

The belief is largely justified. Tax take per \$1000 of personal income was the sixth highest in the United States in 1977 and on a per-head basis, its property taxes were second only to Alaska.

Worse, personal income was only 90 per cent of the national average and heading downwards in the league because its economic growth rate was below average.

The Massachusetts revolt can, therefore, be seen to be in response to circumstances peculiar to that state. It does not signal the continued rolling of a tax rebellion any more than proposition 13 in California signalled its beginning.

Yet the fact that more than half the states now have tax-or-spending — limiting measures in force (all but four introduced since 1970) suggests a strong voter desire to hold taxes.

Kuttner argues that tax-or-spending measures were defeated in many states principally because in those states some controls on spending were already in effect.

Is this an ideological shift? No, said California pollster Alvin Field after proposition 13. His findings indicated proposition 13 was not an argument against government in general.

A qualified yes, says the Rand Corporation which has published three post-study studies. In one study on "fiscal containment" — tax limits — a conclusion: "Citizens pressure for fiscal limits has its roots in widespread dissatisfaction with government performance, a dissatisfaction that is fuelled by proliferating government regulations and continuing inflation. Until the causes of such discontent disappear, the trend toward formal fiscal limits is likely to continue — and to focus on earliest targets for remediation, state and local governments."

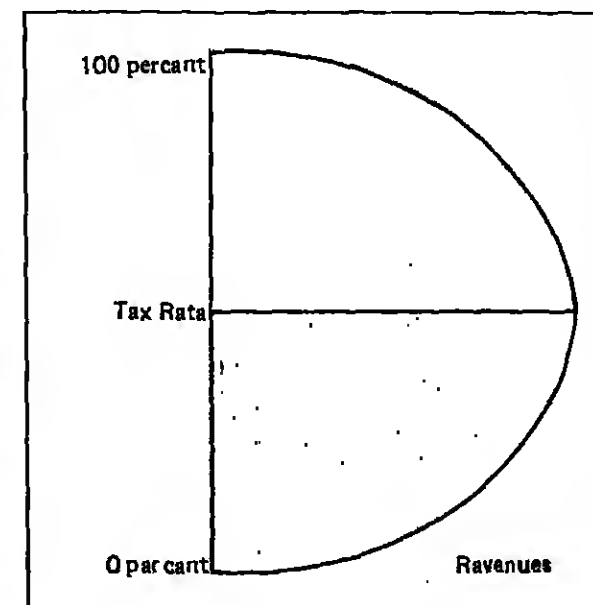
The inflation point is also up by Jonathan Rowe, associate director of Citizens Tax Justice, a nationwide organisation aimed at shifting tax burden from the poor to the rich.

Rowe quotes public opinion expert William Schneider saying: "It is not surprising that the anti-inflation protest is taking the form of a tax revolt. Taxes are one of the few things that people can vote on."

Rowe adds, noting that Californians have voted to rent controls in many cities, support wage and price controls in public opinion polls. "The common thread is an ideology, but self-interest."

Kuttner agrees that the revolt is not ideological, citing the findings of "every" major poll in 1978 that with the exception of welfare there was widespread support for more, not fewer, public services.

"Eighty-two per cent of Americans polled thought the federal government



'spending too much' — as an abstraction — but by majorities of 5 and 6 to 1, Americans also thought that the government should spend more to protect the environment, improve the nation's health, aid cities, enhance education and even assist minorities," Kuttner writes.

He sees two interrelated causes of inflation — "the tax system is not designed for a prolonged bout of inflation" — and the regressive nature of local and state tax systems which take a higher proportion of the incomes of lower earners than higher earners.

"The taxpayer revolt of the late seventies was not primarily a protest against the rising cost and size of government," Kuttner argues.

"Rather the tax revolt was a quite rapid reaction against inequities in the tax systems, exacerbated by broader economic distress. It was essentially a pocket book protest."

"Much of the rancour in California exploded precisely because the tax bills fell too heavily on people who couldn't afford them, not because of the total tax burden on society."

Proposition 13 succeeded because "ordinary working taxpayers found themselves increasingly taxed to pay for services they couldn't see and didn't use. The local political centre... suddenly eroded

the average wage.

The Labour Party recognised this in 1978 with its sweeping tax reform propositions, including indexation.

And there is at least some indication that the message is getting through to the Prime Minister, too. He has said privately that there will be no major tax reforms — as distinct from tax cuts — before the next election, but he is now listening to his backbenchers on the subject.

Perhaps part of Social Credit's apparently seductive appeal to Labourites in some seats is a reflection of the California poll findings that people, even when voting for proposition 13, did not want cuts in services. With Social Credit, they can believe that they can have the best of both worlds.

There are, of course, a number of differences between New Zealand tax concerns and those in the United States.

Probably the most important is that the revolt has been directed principally at property

taxes that were far higher than in New Zealand. Here income tax is by far the principal revenue-gatherer.

One cannot yet see in the modest, though creditable, start of the rates reformers in the local body elections the makings of a proposition 13 revolt. Where payments to public authorities have been withheld, they have been for electricity rather than rates.

But overall New Zealand is a highly taxed country. Unless governments find a way of reducing or spreading the tax burden, they might be in for a rocky ride.

The first learner may be the Prime Minister. His pre-election tax cuts may reduce tax less than inflation calls for — yet it is highly possible the electorate will see them as cynical bribes.

Derek Quigley's efforts to hold Government spending are not enough on their own. They will need to be felt in wage packets of the key-holders to the political centre.

There is another important difference. In California and

Massachusetts voters were able to directly intervene through the referendum process — initiated by citizen petitions — when they felt their legislatures had failed them.

No such avenue is open to the New Zealand voter, whose only recourse is to vote for or against political parties. Unresponsive New Zealand politicians might note the survival of Governor Brown in California after proposition 13, which he opposed, and contemplate their own fate if there was a citizens revolt against taxes they had refused to change.

But there is one other aspect worth keeping in mind. The Rand Corporation, in one of its studies, drew attention to the importance of local body employment programmes as a way not only of giving minorities jobs, but offering them a route to a strong middle class presence.

The Rand study cites the success of Irish immigrants in working their way through public jobs into second-gen-

eration private sector jobs. It says here there is some evidence to suggest that this has been happening in the case of blacks but is in jeopardy because the cities cannot afford to create the jobs any more.

And that grand old man of American economic interventionism, J. K. Galbraith, is caustic about the tax revolt.

"There is much talk these days of a taxpayers' revolt," he wrote recently.

"It will not, in the higher-income brackets, be the kind of revolution that involves much raw violence. The revolutionary impulses of David Rockefeller, Walter Wriston and Gabriel Hauge can be contained. One cannot be so sanguine about anger in the slums."

And all this in the interests of capitalism: "None surely can doubt that the long-run future of capitalism will be more secure if the poor, the black and the young have the stake in the system that a steady income provides."

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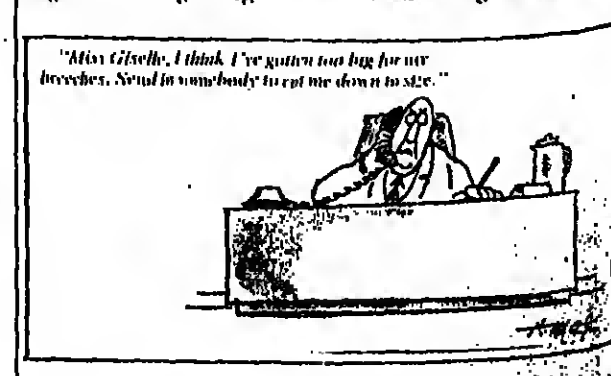
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**SOCIAL CREDIT**

From the "Southampton Chamber of Commerce Report of the Economic Crisis Committee" N.Z. Impression 1980.

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## Letters

## Purchasing power gap

YOUR Economics Writer (NBR, December 15), reviewing Sacred ideas, finds some sense, much nonsense, and ends by wondering "if there is not some grain of truth in Major Douglas's arguments".

The central Social Credit idea was, and still is, that the existing system has a built-in purchasing power gap. Without admitting that truth now, orthodox theory temporarily closes the purchasing power gap with chronic deficit financing. Fifty years of deficit financing has led to unacceptable and increasing inflation without curing unemployment.

Unemployment results from a purchasing power gap for services. When Major Douglas wrote in the depression of the early 1920s, the gap affected the purchase of goods as well as services.

The dedication of Social Crediters comes from sensing a truth which became particularly obvious during the Great Depression. Social Crediters see the results of the purchasing power gap and

day-dream that they have an easy solution.

Power and wealth and a growing share of total purchasing power tend to snowball into the hands of a top few people. They spend a substantial part of their incomes, buying more power and wealth instead of buying goods and services currently being produced and available. That is the source of the purchasing power gap. That will not be easily cured by Social Credit magic.

If experts in government, financial and educational institutions and ordinary people will open their minds to recognise that unemployment and inflation are built right in to existing system and economic theory, that will be a first step towards coping with our growing problems of unemployment and inflation.

John R Perkins  
Tauranga

## Fair criticism

I WOULD like to record how delighted I was to read an economics column that was prepared to give Social Credit's

economic ideas a fair critical examination (NBR December 15).

This is in marked contrast to the sort of mindless invective that seems to be the reflex knee jerk reaction of New Zealand's professional economists to Social Credit. The economist quoted by your columnist and the letter opposite by JV White (NBR, December 15) are typical of the latter.

Your correspondent suggests that the reaction of the public to such outbursts might be to suspect that someone was protecting a vested interest. I would suggest that your anonymous correspondent has bit the nail squarely on the head.

Most professional economists in New Zealand are employed by the trading banks and other major financial institutions and as such are paid servants of the most powerful vested interest that the world has ever seen — the International money machine. Compared with the power of the masters of the money machine, the power of the mightiest corporations of governments even pales into insignificance. The first duty of these paid servants is at all times and in all

ways to promote the interests of their paymasters. This they do in a number of ways, all I might point out, from honourable motives and the highest integrity.

First they influence the academic economists (not difficult — most universities are short of cash) that what is in the best interests of the international finance industry is the only and perfect way of doing things. This ensures that student economists grow up with the "correct" view of their future calling. Secondly they bring their considerable powers of persuasion, backed up by glistening megabucks, to bear on their professional colleagues in government departments, and through them on parliamentarians, to accept the proposition that those policies which are in the best interests of the international finance industry are, by definition, those which are in the best interests of the people of the countries they govern.

The present state of the world's economy attests both to the success of their efforts in this direction and to the fact that the two interests by no means identical.

Finally they see it as their sacred duty to protect this ideal and best of all possible worlds from the sacrilegious and heresies put about by such people as myself, who after all are only research scientists, who stand up and say "The king has no clothes on!"

Their reaction to such outrageous suggestions is that detailed so nicely by Hans Christian Andersen. To sug-

gest such a thing is a full, final self-evident and complete proof of mental incapacity.

John Hay Headle  
President  
Hamilton East Branch  
Social Credit Political  
League

## Social Credit

SOME time ago I requested that in terms of a two-way freedom of information philosophy your Economics Correspondent write under his or her name.

The article "Soaring Sacred popularity forces basic rethink" (NBR, December 15) reinforces this need. For those readers whose memories of December 15 are now buried in a haze of celebrations and holidays, the gist of the article was that economists have not much right to criticise Social Credit because their own performance has not been all that good and that they don't agree among themselves.

Quite extraordinary was the conclusion that because Sacred is increasing in popularity, economists should look at it again to find those germs of truth which may be there. For populism — 400,000 — Forty Million Frenchmen can't be wrong! In spite of the fact that tens of thousands of voters here believed they were right in putting Labour in in 1972 and equally right in putting them out in 1975!

Our economic problems are complex, partly because New

Zealand is such a dependent economy and partly because the problems are as much political as economic but to suggest that the whole discipline is awry is like saying that because doctors can cure only a relatively small proportion of cancers they are in no position to criticise the most successful quackery.

The approach in the article, which at best is mischievous and close to irresponsible, is the sort of thing that Social Crediters love to hear. It is the very basis of their appeal. They are floating along on this sort of thing, refusing to furnish any elementary detail of how their policies would work or to explain manifest inconsistencies, for example, the claim to be private enterprise party at the same time as advocating a wide range of controls, or a firm control of the money supply at the same time as they will issue endless credit for subsidies and 1 per cent bank holidays and to employ in busy shales in the company in which they work.

However, enough is here to make it clear that, as the Eastern has so ably pointed out, the policies would result in massive inflation or other rigorous and complete set of controls and regulations are seen. Your Economics Writer should carry his research further than looking through the comic Sacred press to explain to its own supporters what Social Credit was about.

JV White  
Wellington

## Retailing

## Specialist pork shops appealing to public

by Neil Ritchie

TWO Canterbury pig farmers have set up their own retail shops to specialise in pork products.

In May, Denver Glass set up Pork Perfections in Bryndwr and in July, Dave Barnett started the Hornby Pork and Bacon Centre. Both offer pork to the public at lower prices than butchers, because they are specialist shops selling only pork cuts.

Dave Barnett has 30 acres at Woodsons, about 20 kilometres from Christchurch, where he has 120 sows which produce 2500 "baconers" a year. They weigh between 80 and 90 kilograms and are bred for bacon and associated products, said Barnett.

Glass, on the other hand, does not breed his own pigs. He has arrangements with other pig farmers, known as "weaner producers". Glass buys pigs when they are approximately nine weeks old and fattens them before having them killed. They are then sold through his shop.

He said the system is a co-operative one. He supplies the weaner producers with meat, at cost, and supplies them with the breeding stock.

"They participate in my returns in that the weaners' price is adjusted each month relative to my own baconer returns", said Glass.



Pork... farmers set up outlet

His farm, near Burnham Military Camp, has about 2000 sheep on 430 acres and 3000 pigs on 65 acres.

The shop was originally set up as an experiment. "At first I only opened three days a week but public demand was so great that I am now open five days a week."

"I love serving in the shop because of consumers' reactions and comments of appreciation."

Barnett is very pleased with the public's reaction to his shop and quotes comments such as: "It is good to have cheap pork about; at this price it is cheaper than beef."

Associated Meat Buyers Ltd (AMB) the Christchurch butchers' buying agent, owns

the Christchurch abattoir. Farmers sell livestock to AMB, which slaughters the animals, puts a mark-up on and then sells them to the local butcher.

Barnett says butchers overcharge the public for meat. "If I can set up a specialist shop and survive at lower prices than the average butcher then they should be able to survive at lower prices. Either butchers are inefficient or there are too many of them," he said.

Glass does not think that butchers overcharge. "The butchers are in a very competitive industry just like any other," he said.

Glass says efficiency and throughput are essential to the profitability of his scheme. "To ensure the best price in the consumer we pre-pack our products and offer mini-bulk supplies. We are trying to retail at wholesale prices. To do this there is considerable pressure on efficiency relative to the volume of sales."

Where improvements can be made by butchers and the big companies — Hellaby and Hutons — is in the distribution system. Glass used as an example the daily deliveries to butchers which involve only small quantities of various types of pork products. He contrasted that with what he and Barnett are trying to do.

Glass and Barnett are charging from \$3 to \$4 a kg

for pork cuts compared to the butcher's price of about \$4.75. They also offer special cuts that a general butcher does not, such

as port steaks and fillets at \$5.50 to \$5.75 a kg. "The shop gives me a good insight into the processing costs

of the industry, from killing to packaging. I believe I am better equipped to see the industry as a whole now," said Glass.

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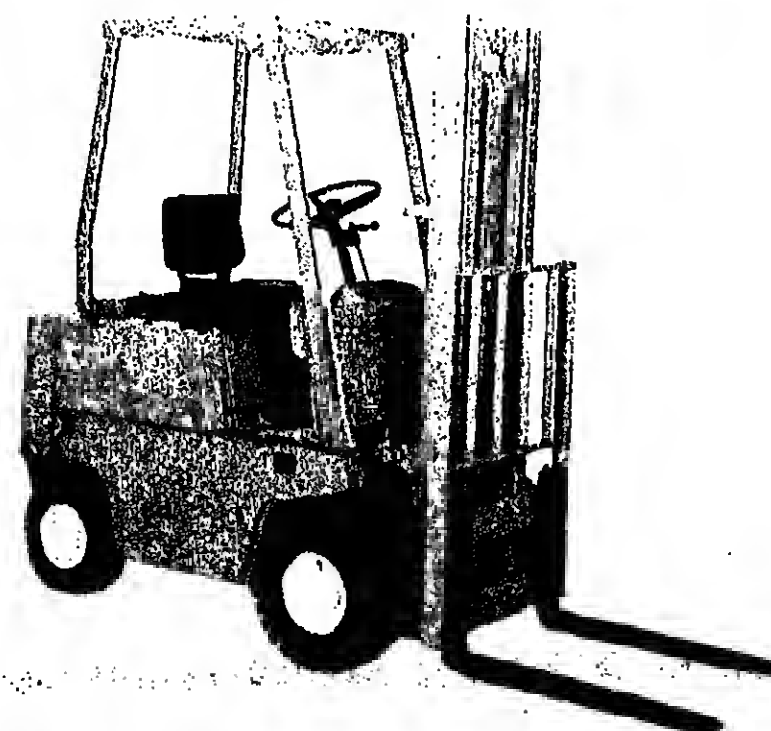
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# Inflation beats urban real estate price increases

by Rae Mazengarb

URBAN real estate sales volumes for the six months ended June 1980 were at their highest level since June 1974, according to a Valuation Department study.

But price increases were well behind the rate of inflation. Section prices and sales remained stable, compared with movements elsewhere in the market — an indication that people are not keen to pay the cost of building new homes.

Department senior research officer Geoff Cole last week described the market overall — in terms of price movements — as quiet.

In Auckland there was a fair increase in volume of sales and the house price index was much higher than the national average. But similar buoyancy was not evident in other parts of the country, he said.

Part of an on-going series, the department's latest paper looks at activity in the three principal sectors of the urban real estate market — residential, industrial and commercial.

The residential sector includes data on sections, houses and flats.

The analysis centres mainly on sales of freehold properties sold on the open market in 38 sample urban areas, but does detail some national statistics for comparison.

Sales volumes in the selected areas showed total turnover 11.56 per cent up on the previous six month period.

Section and house price indices increased by 0.21 and 4.35 per cent respectively, but the section price index remained below the June 1978 index value, the report said, an indication that prices had not yet returned to previous levels.



New areas... record higher sale prices

Section sales nationally showed a sales volume increase of 5.8 per cent, but this was mainly the result of the sharp increase (12.94) in sales in the 38 urban areas.

The figures show the decline in total section sales has

stopped and a rise can be expected in the future.

The drift to the north is clearly evidenced in the sales: the Auckland region, Hamilton and Tauranga are recorded almost half of the country's section sales.

The Wellington region and Christchurch were the only other areas with large proportions of sales.

The average price for a section in the first six months of last year was \$12,481, barely above the levels of the previous period and an indication that the market was still weak, the report said.

Cole said section movements were difficult to gauge because fluctuations in volume tended to reflect changes in supply rather than changes in demand.

Sections vary in size, location and physical characteristics with the result that the average sale prices are not a reliable guide as to changes in the level of realisations.

In fully built up areas, sales of sections are few and often result from the demolition of old houses or subdivision of larger sections. This scarcity of sections keeps prices at a high level in contrast to developing areas.

Housing — comprising 50 per cent of the urban property market, and therefore providing a more accurate picture of demand — showed a national increase in volume of 22.01, or 10.5 per cent, in the six-month survey period compared with June to December 1979. Auckland, Wellington and Christchurch continued to dominate the market.

On a national basis, the average sale prices for houses have shown an upward trend.

For the 38 sample areas, the average house price (land and buildings excluding chattels) was \$31,121, compared with \$31,817 for the previous six months.

Auckland city had the highest average price — \$45,540 as at June 1980 — and Petone the lowest average price of \$22,192.

The house price index — like

the section price index — is obtained by the percentage price change for each urban area weighted by the average total price for houses over the last 10 years.

Because newer houses are more expensive, areas with considerably more sales of older houses tended to have a low overall average sale price (Trentham, Petone and Wainuiomata, for example), the report said.

Conversely, new developing areas such as North Shore and Fairanga — with high numbers of new house sales — recorded higher average sale prices.

The report estimates that of new housing using building permit figures and Institute of Valuers' annual house costs. The average sale price for a section is added to the average value per section permit to give a final figure.

Using the building permit method, the department estimates the cost of an average new house at \$47,157 (plus \$12,484 plus \$34,673) compared with \$12,683 for the year ended June 1979.

Under the model house method, the cost is estimated at \$15,915 compared with \$12,929 for June 1979. The estimates can be compared with the \$34,124 average established housing.

The 155-page report details sales and prices for various improved commercial and industrial properties in the 38 urban areas.

For commercial buildings, the average price paid for a section was \$73,314 compared with \$100,538 for the average for industrial property was \$17,781 — \$18,011 respectively.

Variation in the average each of the 38 urban areas analysed, however, was considerable.

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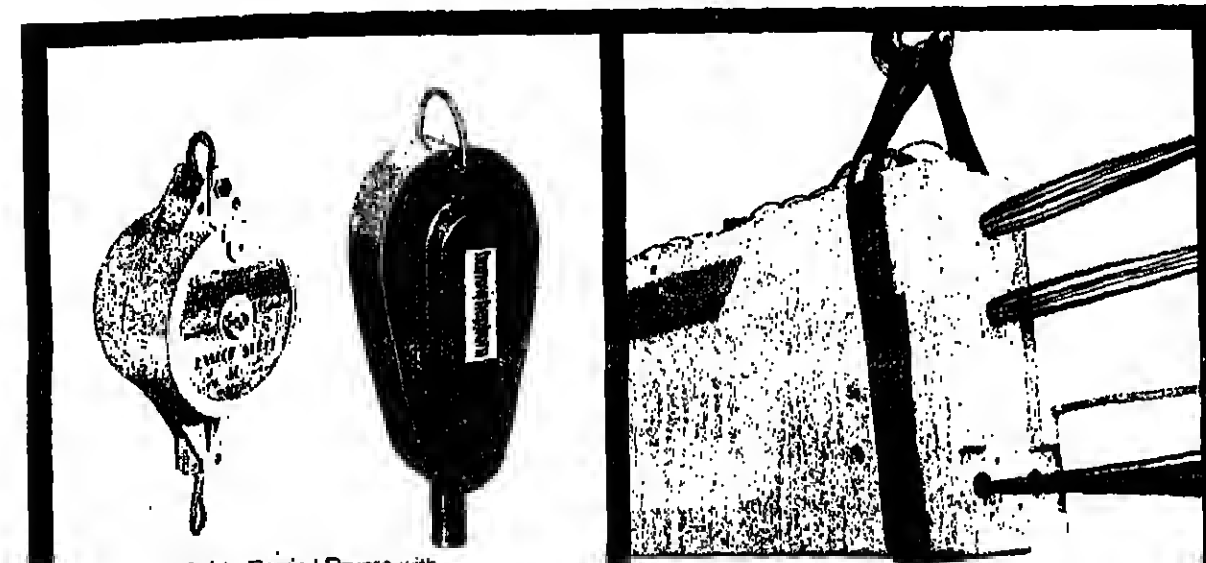
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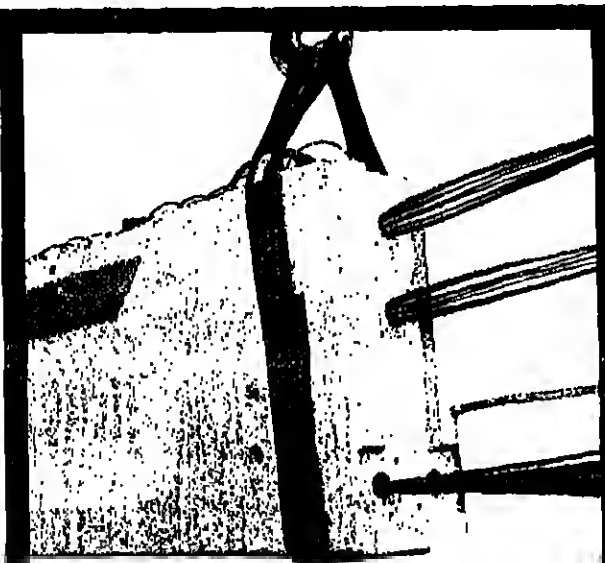
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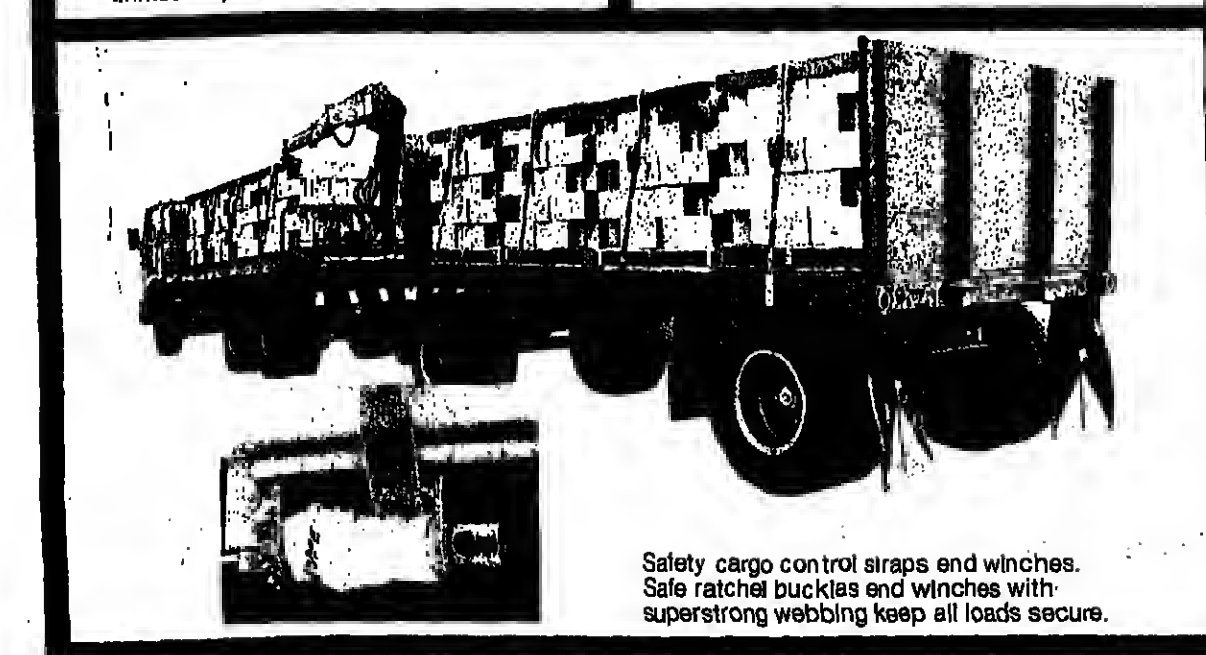
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## The British

# Militants seek way around union reforms

by John Bishop

LABOUR unions in Britain have been planning to circumvent the Government's tough employment legislation.

The Trades Union Congress has given detailed guidelines on how to make the laws unworkable.

The advice is in a 15,000-word booklet drawn up for union secretaries and shop stewards, and gives a comprehensive view of how the intentions of the 1980 Employment Act can be frustrated by technical compliance with the letter of the law.

Under attack for his "wet" approach, Prior told the Conservative Party conference that it was better to carry out the reforms with the support, or at least the consent, of the shop floor rather than impose them from the top and risk a dangerous confrontation.

The TUC advises unions to defend closed shop arrangements, using veiled threats if necessary. Employers, the booklet says, should be told that existing arrangements contribute to the stable running of their enterprises, and that any changes will have a bad effect on industrial relations.

Prior's Employment Act had a rough passage through the Commons last year in the wake of bitter arguments over secondary picketing and the unions' exemption from injunctions and damages suits.

More recently the Act has been attacked by both the Conservative right wing which believes the reforms don't go far enough, and by the unions who believe the Act restricts their traditional rights.

Prior won an important battle within his own party to have the major changes in the regulation of union activities issued as a set of Government guidelines.

Many in the Conservative Party and in industry wanted the reforms put into law and enforced by the police and the courts.

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More recently the Act has been attacked by both the Conservative right wing which believes the reforms don't go far enough, and by the unions who believe the Act restricts their traditional rights.

Under the Employment Act there is no legal obligation for either side to review closed shop arrangements, and the unions are advised to push ahead with this set-up.

Employers pushing for a secret ballot on the introduction of a closed shop should be told that it is a matter for negotiation between the union and the employer. The booklet advises unions that if they have to concede a ballot, it should be held after the agreement has been signed.

On industrial action, unions are told that the withdrawal of traditional immunity of union leaders from prosecution or civil suits makes certain forms of action potentially unlawful.

However, the Act requires the employer or another injured party to seek an injunction to halt the industrial action. Injunctions must name the strike

organisers, "a task which might be difficult in certain circumstances".

In other words a union could frustrate a potential litigant by using an anonymous strike committee composed of people from the shop floor to instigate and run a strike on behalf of the union or its known officials.

Unions are told to warn employers of the dangers involved in escalating a dispute by bringing injunctions into play.

On the vexed question of picketing, the TUC says it is up to an employer to invoke the law, which restricts lawful picketing to six people.

Unions are reminded that the employer cannot seek police assistance to identify pickets considered to be acting unlawfully.

"One possible approach to the numbers aspect of picketing might be for unions to design-

nate clearly a number of people to do the actual 'picketing', i.e. to approach and talk to people entering the strike bound premises, and to identify any additional members present as separate supporters or demonstrators in attendance to underline the union's grievances."

It was the newly developed practice of "secondary" or "flying" pickets which caused so much turmoil with British industry.

Members of a union not involved in a particular dispute were being brought in from other plants to support their colleagues.

Flying squads of pickets were formed ready to descend on a strike bound plant, even though they might be unemployed or not members of a union affected by the dispute.

The Employment Act restricts the right to picket to those directly involved in the dispute,

and to only six of those at any one time.

However, the TUC thinks that the general right of people to assemble will enable any number of "supporters" to gather at a particular place — for example five yards away from the plant entrance where the picketers are standing.

Although Margaret Thatcher has had some low pay settlements to support her view that a "winter of common-sense" has arrived, more recent developments have left her not so optimistic.

There have been continuing troubles in the motor industry, particularly at British Leyland, among dockers, seamen, and miners, and problems in the public sector.

If Britain does head into another winter and spring of industrial unrest, then Jim Prior's new law and guidelines will face a severe test.

## Part-time workers are staying on

PERMANENT part-time workers are rapidly becoming commonplace in British management structures.

They are not temps or moonlighters, but people from typists to managers, seeking a less than full-time job.

Employers are increasingly coming to value the work of part-timers working on a permanent basis.

"For one thing, they're generally more productive hour for hour than many full-time employees," according to one personnel manager.

"We have quite a number here (regional office of a large chemical firm), and for them keeping the job is important, because losing it can make a big difference to their standard of living."

Office roles are now also becoming more closely defined, according to Kay Sykes, head of Part-Time Careers, a personnel agency specialising in finding permanent jobs for part-timers.

"Most departments in big firms have a budget for temps, and when a permanent staff goes — sometimes two or three at a time — the attitude was, 'we'd better get in a temp'."

"Until now, there has been no attempt to look at the job and try a different approach. I've had girls who've been temping in the same job for months. That's just plain bad management," Sykes said.

According to Sykes there are many advantages for both the company and the part-timer in a permanent system.

"Permanent part-timers contribute to a stable work force, because if they find a job they like at hours that suit them

they tend not to leave it quickly."

She cites the case of an opera singer who practices in the morning and holds down a typing job in the afternoon; performing occasionally in the evening.

"The job also tends not to be the centre of their lives, so they don't get involved in office politics, affairs, or union work."

As long as the company has clearly defined the job profile, time on the job is spent productively. In fact, the idea of using a part-timer can often force a re-appraisal of office work organisation.

But Sykes says there are other advantages as well.

"Tricky situations such as one woman working for two bosses can be resolved. Both insist that their work is the more important, driving the secretary crackers in the process."

"The answer is two part-timers, one working mornings for one manager, the other working afternoons for the second manager," she said.

Nor do the unions seem too worried about this practice eroding full-time jobs.

The secretaries coming back into the work force for part-time employment had earlier given up a full-time job for marriage and a family. While their part-time jobs are often up-graded to full-time positions, Sykes points out at this stage there are often resignations.

"There is an enormous pool of secretarial and executive talent out in the community which could be mobilised with imaginative use of these people in part-time work," she said.



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